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# MUNICIPAL ENERGY REFORM PROJECT IN UKRAINE

NINTH QUARTERLY REPORT

OCTOBER 1, 2015 – DECEMBER 31, 2015



## January 2016

This document was produced for review by the United States Agency for International Development (USAID). It was prepared by the Municipal Energy Reform Project in Ukraine implemented by International Resources Group for USAID/Ukraine.

Key to cover photos:

Andriy Nesterenko, USAID Senior Energy and Public Finance Specialist speaks at the conference “Developing Projects, Financing Opportunities and Further Cooperation”	MERP expert gives presentation for journalists at workshop “Media about EE and Social Protection under raising tariffs for communal services”	Kyiv City Administration holds public discussion of the draft Sustainable Energy Action Plan of Kyiv, developed with help of MERP experts
MERP COP Larry Good speaks at XI International Congress "Institutional and technical aspects of reforming housing and communal services"	MERP EC LEDS Task Leader Natalia Kushko opens first MRV training for Cement Sector, organized by MERP together with Association UkrCement	Journalists from Khmelnitskyi and Ternopil oblasts take a group photo after Training for Media conducted by MERP experts
MERP expert Olena Nych gives presentation during seminar “Concept for setting incentive-based tariffs for district heating, centralized water and sanitation”	MERP International expert Diana Korsakaite opens workshop “Benchmarking in District Water Supply and Sewage Sector”	MERP EC LEDS Task Leader Natalia Kushko speaks at Second MRV training for Cement Sector, organized by MERP in cooperation with Association UkrCement

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**DISCLAIMER**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

# ABBREVIATIONS

AE	Alternative energy
AUC	Association of Ukrainian Cities
CE	Clean energy
CMU	Cabinet of Ministers of Ukraine
COR	Contracting Officer's Representative
DCA	Development Credit Authority
DH	District heating
DTEK	Donbass Energy and Fuel Company
EBRD	European Bank for Reconstruction and Development
EC-LEDS	Enhanced Capacity for Low Emissions Development Strategies
EE	Energy efficiency
EPC	Energy performance contracting
ESCO	Energy services company
EU	European Union
GCC	Global climate change
GHG	Greenhouse gas
GIZ	German Corporation for International Cooperation
GOU	Government of Ukraine
HOA	Home Owners' Association
IBSER	Institute for Budgetary and Socio-Economic Research
IEE	Initial Environmental Examination
IFC	International Finance Corporation
IFI	International Financial Institution
INDC	Intended Nationally Determined Contributions
IRG	International Resources Group
KPI	Key performance indicator
LEDS	Low Emissions Development Strategies
MDI	Municipal Development Institute, All-Ukrainian Charitable Organization
MERP	Municipal Energy Reform Project
MinRegion	Ministry of Regional Development, Construction, Housing & Communal Services
MOU	Memorandum of understanding
MRV	Measurement, reporting & verification
NECSRC	National Energy and Communal Services Regulatory Commission
NEFCO	Nordic Environment Finance Corporation

NGO	Non-governmental organization
NUPAS	Non-US Organization Pre-Award Survey
PIU	Project implementation unit
PPP	Public-private partnership
PSA	Public service advertisement, Public service announcement
Q1, Q2...	1 <sup>st</sup> quarter, 2 <sup>nd</sup> quarter, etc.
RAB	Regulatory asset base
REDS	Resource efficiency development strategies
ROR	Rate of return regulation
RFA	Request for application
SDC	Swiss Agency for Development and Cooperation
SAEE	State Agency on Energy Efficiency and Energy Saving of Ukraine
SEAP	Sustainable energy action plan
SEIA	State Environmental Investment Agency
SIDA	Swedish International Development Cooperation Agency
SOW	Scope of work
SSC	State Statistics Committee
TNA	Technology Needs Assessment
TOR	Terms of reference
UAH	Ukrainian hryvna (currency)
UNDP	United Nations Development Program
UNFCCC	United Nation Framework Convention for Climate Change
USAID	United States Agency for International Development
VR	Verkhovna Rada (legislature)
WB	World Bank

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# BACKGROUND

The United States Agency for International Development (USAID) Mission for Ukraine, Moldova, and Belarus, Office of Economic Growth supports the implementation of the **Municipal Energy Reform Project (MERP, the Project) in Ukraine** as described in the Statement of Work and further detailed in International Resources Group's (IRG) Technical Proposal, and subsequent modifications.

The primary purpose of the USAID MERP is to enhance Ukraine's energy security. Increased end use energy efficiency (EE) combined with increased production of clean energy (CE) in large towns and cities will reduce the consumption of conventional energy in Ukraine while cutting greenhouse gas emissions, energy expenditures, and imports. The Project has four main activities:

- Improve Clean Energy Regulatory And Legislative Enabling Environment
- Promote Investment In Clean Energy Technologies And Applications
- Capacity Building and Dissemination
- Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)

The GOU is engaged in reforming the municipal energy sector and addressing challenges identified in the GOU Program of Economic Reforms for 2020, with an emphasis on CE/EE through price signals and improving the competitiveness and reliability of municipal services. Ukraine's energy policies are shifting to domestic resources and strengthening the energy market framework to EU standards. Adoption and full implementation of Energy Community Treaty and GCC Convention provisions could provide Ukraine with a competitive, transparent, and predictable market framework to attract investment and to underpin CE and EE improvements in the energy sector.

The Project focuses on introducing energy efficiency and clean energy in cities by assisting municipalities with

- Planning, preparing, and financing clean energy projects
- Introducing energy management systems
- Supporting implementation of development of DCA loan guarantees
- Supporting mechanisms that mobilize private sector investment, in particular performance contracts by energy services companies (ESCOs)
- Preparing sustainable energy public awareness plans

This Quarterly Report is submitted in accordance with the Contract requirements and covers the project period from October 1, 2015, through December 31, 2015. It serves as a tool for evaluating the Project's progress and achievements and provides a summary of Project activities, accomplishments, issues, and problems encountered in implementing the activities set by the Project Work Plan. It also weights the accomplishments in the context of the indicators set by the Monitoring and Evaluation Plan.

## A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS

The overall objective of MERP is to enhance Ukraine's energy security. Increased end-use energy efficiency combined with the increased production of clean energy in large towns and cities should reduce the consumption of conventional energy, i.e., imported natural gas from Russia, while cutting greenhouse gas (GHG) emissions, energy expenditures, and overall energy imports.

**Under Activity 1**, the Project continued supporting GOU and the Ukrainian parliament to approve key legislation related to municipal energy reform.

### **Regulatory acts on energy services companies (ESCOs)**

The sample Energy Performance Contract (EPC), necessary for wide-scale energy efficiency (EE) modernization in the public building sector, was approved by the GOU.

In cooperation with SAEE, the Project started developing methodological recommendations to define baseline consumption of energy resources (heat energy). This regulation is necessary for EPC implementation in Ukraine.

### **National Energy Efficiency Action Plan (NEEAP) for the period through 2020**

The Cabinet of Ministers of Ukraine (CMU) published an official resolution approving Ukraine's National Energy Efficiency Action Plan (NEEAP) to 2020. The Project contributed significantly to NEEAP development during 2015, including multiple discussions and comments, a briefing note, and the revision of the draft NEEAP.

### **Homeowners associations (HOAs)**

The following legal acts developed with Project support were approved and came into force during Q9:

- Template of the minutes of the HOA meeting (as stipulated by item 7 of Article 10 of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”);
- HOA Model Charter (as stipulated by article 7 of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”).

The Verkhovna Rada adopted the Law “On amendments to the Tax Code of Ukraine and certain legislative acts of Ukraine regarding balancing of budget revenues in 2016”. The law eliminated the inconsistencies regarding the allocation of property during the liquidation of a HOA. With the changes introduced by the law coming into effect, HOAs can foresee in the statutes that in case of liquidation, the property of the HOA will be distributed among the co-owners.

### **Law on Housing and Communal Services and related metering legislation**

In cooperation with EU Support Group to Ukraine, the Project developed a structure and critical provisions of the draft of law “On commercial metering of communal services”.

### **Law on National Regulatory Commission for Energy and Communal Services**

As a result of Project support, the bill has been prepared and agreed upon with key parliamentary committees and NECSRC.

### **Law on the specifics of access to information in field of supply of electricity, natural gas, heat, centralized supply of hot water, centralized drinking water supply and sanitation**

The Verkhovna Rada of Ukraine adopted this law in December 2015. The importance of the law is that it increases transparency, improves tariff information disclosure, and contributes to the implementation of European Parliament Directive 2006/32/EC. Project support included: the preparation of an analytical note requested by NECSRC; analysis, recommendations, discussion and an advocacy campaign supporting approval by the Verkhovna Rada.

### **Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)**

In close cooperation with the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD), the Project continued supporting the National Energy and Communal Services Regulatory Commission (NECSRC) to bring tariff regulations in line with best international practice. The Project built the capacity of NECSRC and licensees by conducting

four training seminars. In addition, the Project gave a presentation on best practice for incentive-based regulation to Chairman Dmytro Vovk and Commissioners Ruslan Mashliakivsky and Volodymyr Yevdokimov. MERP conducted a Training Needs Analysis (TNA) of NECSRC personnel and agreed on a training plan for CY2016.

Other accomplishments include:

- The Project completed the development of the service quality monitoring methodology.
- The Project finalized and submitted to the ECSRC two decrees on tariff setting for heat energy produced from non-conventional and renewable energy sources.
- The Project participated in meetings of the Asset Valuation Working Group and discussed possible scenarios of revision of the Asset Valuation Methodology. Preparation for the pilot asset valuations started in December 2015. The Project developed templates to collect data from licensees for pilot asset evaluation (district heating utilities in Kharkiv, Kherson, Kamianets-Podilsky, and for water/wastewater utilities in Kirovohrad, Ternopil, and Kamianets-Podilsky). The Project started communication with the World Bank regarding co-financing the pilot valuation of assets.
- The Project produced an updated (final) version of the Concept on the gradual introduction of RAB incentive-based tariff regulation.
- The Project prepared initial report with recommendations on guidelines related to creation of a system of transparent tariff-setting and regulatory decision-making.
- The Project completed its recommendations report on the use of benchmarking results in regulatory activities.

### **Supporting Improvement of Social Safety Net for Vulnerable Population**

In close cooperation with the WB social assistance team, the Project continued assisting the Ministry of Social Policy to support the implementation of the existing system of subsidies to low-income consumers and to improve the system of social norms for communal services.

The Project conducted an analysis and developed a set of indicators and procedures for assessing the efficiency of the new subsidy program. The Project participated in several working meetings with the Social Protection Department of the Ministry of Social Policy to discuss: (i) subsidy provision procedure, (ii) allocation of subsidies for the length of the heating season, (iii) subsidy recalculations, (iv) obtaining the data on the income of entrepreneurs, and (v) subject matters of the explanatory letters for the regional social protection authorities.

As a result of Project activities, GOU adopted Decree #842 “On changes to the GOU Decree #409 dated August 6, 2014”, which introduced changes to the substance of certain social norms and to the norms-setting procedure regarding specific social norms. The Project assisted the Ministry of Social Policy in preparing an explanatory letter on the implementation of changes introduced by GOU Decree #842 and provided assistance to regional social protection bodies on the implementation of changes in the social norms.

### **Supporting Energy Efficiency Standards**

The Project prepared a first draft of the State Building Norm DBN 2.6-14:201X Designing of Building Roofs and continued assisting GOU Technical Committees (SAEE) in reviewing and approving EE standards.

### **Public Information and Awareness Campaign**

The Project conducted a series of trainings for about 120 journalists from the following oblasts: Chernihiv, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Kherson, Khmelnytskyi, Kyiv, Lutsk, Lviv, Rivne, Sumy, Ternopil, Vinnytsia, and Zaporizhzhia.

The Project, in cooperation with SAEE, created a brochure aimed at increasing awareness among Ukrainians about energy efficiency measures enabling them to reduce their expenses for communal services. 100,000 copies of this brochure were printed at SAEE’s cost in cooperation

with GIZ and distributed throughout Ukraine. The copies of the brochure were disseminated through 471 educational seminars to more than 30,000 citizens. These seminars were conducted by SAEE with the Project support. Over 2,000 representatives of condominiums and housing cooperatives participated in these events.

MERP created a 12-minute TV program called “Your Home”. The program is broadcasted on UA- PERSHYI TV Channel (state-owned national broadcaster), which covers whole of Ukraine. Ten TV programs have been broadcasted, and topics identified and scenarios developed for 15 more. UA-PERSHYI TV Channel reports that “Your Home” has one of the channel’s highest ratings. The Project has received several requests to allow the broadcasting of the programs by regional (municipal) TV channels.

The Project, SAEE, and a commercial advertising agency developed three types of new billboard posters. These posters will promote effective energy saving measures in multi-apartment buildings and the creation of HOAs thus enabling them to benefit from the state program of loan compensation for EE projects.

**Under Activity 2**, MERP supported partner cities with their Sustainable Energy Action Plans (SEAPs) in compliance with the European Covenant of Mayors (CoM).

### **Assisting Municipalities with Planning, Preparing and Financing for CE Projects**

The Project prepared or revised 15 SEAPS and seven of them have been approved by the respective city councils. The SEAPs envision CO2 emissions reduction of 4,078 thousand tons by 2020. The investment required to achieve this target is estimated at UAH 61 billion or approximately USD 2.5 billion. The Project finalized the investment catalogues for the cities of Chernihiv, Vinnytsia, Lutsk, and Khmelnytskyi.

During the reporting period, the Project finalized two business plans to support EE projects in public buildings, four pre-feasibility studies to support the substitution of natural gas with biomass and on solid waste management, prepared project concepts and technical specifications for an IFI loan.

The Project, jointly with the World Bank, held a conference on “Developing Projects, Financing Opportunities and Further Cooperation”. The Project presented typical investment projects for the partner cities, opportunities resulting from ESCO and PPP legislation in place, and key principles of introducing ISO 50001 based energy management systems in the cities. IFI’s gave presentations on their current portfolios and financing opportunities in the municipal sector with a particular emphasis on EE.

### **Development Credit Authority Loan Guarantee**

To support USAID DCA with the Bank of Lviv, two trainings were delivered for the Bank’s personnel: 1) on energy audits; and 2) Financing the implementation of EE projects at hotels and in restaurants (HORECA) and food industry.

### **Support Mechanisms that Mobilize Private Sector Investment**

The Project continued supporting the developing ESCO project in Zaporizhzhia and initiated the development of similar project concept for Kryvyi Rih.

The Project conducted a survey to assess partner cities’ potential to implement CE projects on PPP principles. The Project identified seven municipalities for the potential project implementation support.

During the reporting period, the Project supported a number of activities aimed to promote EE in residential sector, including support of Clean Energy Resource Centers operations; discussions and recommendations related to the continuation and improvement of State funded EE partial loan compensation program for residential sector; and the Revolving Fund concept development.

MERP grantees in cooperation with other NGOs conducted an extensive advocacy campaign to support the continuation of the State Program to support residential energy efficiency in 2016. As a result of their efforts, this program was extended and budget of Ukraine for 2016 has UAH 790 million allocated for the partial compensation of EE loans in the residential sector. At the end of the reporting period, the amount of loans issued (funding leveraged to residential EE) under the State Program to support residential energy efficiency reached UAH 1 billion 275 million or approximately USD 55 million.

**Under Activity 3,** The Project prepared and submitted to USAID the final capacity building report. Three grant-supported projects were successfully completed during the reporting period.

**Under Activity 4,** The Project continued supporting GOU with Low Emission Development Strategies (LEDS).

### **Strengthening institutional capacity in planning LEDs/REDS**

The Project developed and submitted to the Ministry of Ecology and Natural Resources (MinEcology) the draft State Climate Policy Concept. Project experts supported the process of acceptance for the Draft State Climate Policy Concept by the Inter-ministerial Commission on UNFCCC and supported the public consultations process of this document conducted by MinEcology on the Cabinet of Ministers civil society website. As a result of these efforts, the Inter-Governmental Commission on the United Nations Framework Convention on Climate Change (UNFCCC) Implementation accepted the Concept.

The Project supported the Ukrainian INDC public discussions process.

The project developed and conducted a monitoring, reporting, and verification (MRV) course for the Cement sector. It was the first MRV sectoral training in Ukraine, organized in cooperation with the Ukrainian Cement Industry Association.

The Project also supported the GOU in preparation for the Paris Climate Conference through enhanced inter-ministerial cooperation assistance.

### **Implementing LEDs/REDS through support in developing and introducing clean energy technologies and energy services**

MERP developed and published Technology Needs Assessment Report for Municipal Sector.

During the reporting period, the Project supported the State Energy Efficiency Agency on conducting analysis of implementation of the measures for realizing CE/EE projects by GOU.

### **Developing a uniform database on LEDs/REDS and exchanging experiences and best practices with other countries participating in EC-LEDs**

The Project continued working on populating the UA-LEDS database in Ukrainian and conducted a test-run during the reporting period.

## **B. DETAILED DESCRIPTION OF PROGRESS/ACCOMPLISHMENTS DURING THE REPORTING PERIOD**

### **B.1 PROJECT TEAM**

During the reporting period, the Project assisted the key project stakeholders, the Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion), Verkhovna Rada committees, the State Agency for Energy Efficiency, the Ministry of Social Policy, the

National Energy and Communal Services Regulatory Commission, partner cities, and members of the donor community. The Project has 21 recipients as of September 2015.

As of December 31, 2015, MERP staff totals 15 employees.

### **B.3 ENVIRONMENTAL COMPLIANCE**

MERP is taking steps to conform to USAID environmental regulations, 22 Code of Federal Regulations (CFR) 216. The Project incorporated environmental mitigation measures as a standard component of its program management. The Project assessed and developed a plan to meet USAID and Ukrainian environmental requirements through mitigating and monitoring environmental risks. MERP does not foresee any significant adverse environmental impacts from Project Activities. This is confirmed by the Initial Environmental Examination (IEE) recommendation of “categorical exclusion” for most Project Tasks and Activities. “Negative determination with conditions” was defined for Project Tasks 1.2, 1.6, 2.2, 2.4, and 2.5. MERP assessed the possible environmental risks for these tasks and started implementing measures recommended by the IEE (4.3.1-4.3.4).

It is anticipated that many project activities will not have any effect on environment and human health in Ukraine. While some project activities may have some effect, in most cases, this environmental/health effect is deemed to be positive – as increased energy efficiency and use of CE will lead to reduced energy consumption and GHG emissions.

The preliminary environmental assessment of Project activities allowed to define potential environmental impacts and recommended environmental determination as:

- **Categorical Exclusion:** The activity is not likely to have an effect on the natural or physical environment. No further environmental review is required;
- **Negative Determination with Conditions:** The activity does not have potentially significant adverse environmental, health, or safety effects, but may contribute to minor impacts that can be eliminated or adequately minimized by appropriate mitigation measures.

Project activities:

#### **Activity 1. “Improve Clean Energy Regulatory and Legislative Enabling Environment”**

All the activities conducted within this component during the reporting period were assessed against IEE and the Project Monitoring plan. It was determined that all activities meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. However, it is recommended to ensure that the preventive principle aiming to prevent the depletion of natural resources and deterioration of environmental components (air, water, land, plant and animal life) is mainstreamed into the draft laws and regulations that may be developed based on Component 1 activities. One document falls under the negative determination with conditions status. Draft State Construction Standards "Design of Roofs for Buildings and Facilities, V.1 developed under Component 1 activities allows use of asbestos construction materials which are forbidden for use in the USA and EU. This issue will be addressed to the top management level for further discussion.

#### **Activity 2. “Promote Investment in Clean Energy Technologies and Applications”**

During the reporting period, three documents were developed that fall under the negative determination with conditions status: Rivne SEAP, Sumy SEAP and Ternopil SEAP.

No adverse environmental impact is likely. However, according to article 4.3.5 of IEE, it is recommended to advise the assisted municipalities to integrate environmental and/or health considerations into the project/plans since they may have a local negative effect on the environment. According to project mitigation measures plan (MMP) the SEAP projects involving

the construction of new energy supply/heating facilities or the upgrade of existing facilities should undergo the national environmental assessment process including the preparation of EIA in line with DBN A.2.2-1-2003.

The rest of the activities conducted within Component 2 during the reporting period were assessed against IEE and the Project Monitoring plan. It was determined that all activities meet the criterion for a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required.

#### **Activity 3. “Capacity Building and Dissemination”.**

During the reporting period, three pre-feasibility studies were developed within Component 3. Each feasibility study include a section on the results of an environmental impact assessment.

All the other activities conducted within Component 3 during the reporting period were assessed against IEE and Project Monitoring plan. It was determined that all activities meet the criterion for a categorical exclusion and per 22 CFR 216.2 (c) (2) (i), (iii), (v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. It is recommended to introduce the NGO representatives the key environmental requirements to the energy efficiency and cleaner energy projects as part of the NGO training program.

#### **Activity 4. “Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)”**

All the activities conducted within Component 4 during the reporting period were assessed against IEE and Project Monitoring plan. It was determined that all activities (except for one) meet the criterion for a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. However, it is recommended to ensure that the preventive principle aiming to prevent the depletion of natural resources and deterioration of environmental components (air, water, land, plant and animal life) is mainstreamed into the draft laws and regulations that may be developed based on Component 4 activities.

The conclusions are that USAID MERP is in compliance with Ukrainian and Contract requirements on all implemented activities, and the Mitigation Measures Plan and Monitoring Plan are up to date and compliant with all requirements. The Project regularly monitors its activities for compliance with environmental regulations.

## **B.4 PROGRESS AND ACCOMPLISHMENTS BY ACTIVITY**

### **ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT**

#### **Task 1.1 Developing Enabling Legislative and Policy Environment**

During the reporting period, MERP continued supporting GOU in developing clean energy policies, legislation and regulations. The assistance is based on EU Energy Community requirements and best international practice. In particular, MERP supported the development and/or approval process for the following regulatory acts:

- Law on National Energy and Communal Services Regulatory Commission (NECSRC);
- Legal acts to facilitate implementation of the ESCO mechanism for public (municipal) buildings;
- Law on the Commercial Metering of Communal Services;
- Legal acts to facilitate the implementation of the Law of Ukraine #417-19 “On the Specifics of the right of ownership in a multi-family residential building”;
- Law on the Specifics of access to information in the field of supply of electricity, natural gas, heat, central hot water, central potable water and sanitation;
- National Energy Efficiency Action Plan (NEEAP);

- Law on Energy Efficiency in Buildings;
- Law on Housing and Communal Services.

### **Law on National Energy and Communal Services Regulatory Commission (NECSRC)**

The Project held several meetings with key stakeholders to support the development and approval process of the law. The focus of the Project assistance is to ensure compliance with the requirements of the EU Energy Community and EU Directives that guarantee the independence and functionality of the Regulator. In particular, this included:

- On October 5, the Project participated in the presentation to the Verkhovna Rada of Ukraine of an analysis of the Law on the NECSRC (reg. #2966). The presentation (delivered as a part of Strategic Advisory Group work) was focused on comments received from various stakeholders. Several MPs, Chairman of the NECSRC, experts from Strategic Advisory Group, media and civil society representatives attended the event. As a result of the meeting it was agreed that:
  - The Strategic Advisory Group will review key comments/changes to the law.
  - The key issues shall be discussed with international experts during the closed meeting of Verkhovna Rada committee on October 20-21.
  - The results of the above discussion will be reflected in the updated version of the law, which will be open for public discussion with the experts and civil society representatives.
- On October 16, USAID and MERP project representatives met with Dmytro Vovk, the Head of NECSRC. The discussion focused on the following issues: improvements to bill No. 2966 "On the National Commission for the State Regulation of Energy and Public Utilities", Project assistance and the potential for other USAID assistance to the commission. The VR Committee on the Fuel and Energy Complex (Energy Committee) is currently deliberating the bill. Several Energy Committee members have participated in the work of a Strategic Advisory Group convened by DiXi Group, a think tank supported by the Renaissance Foundation. Mr. Vovk had participated in the most recent meeting of the Strategic Advisory Group, which was held on October 5, 2015. Mr. Vovk and the Commission generally support Bill 2966, even after the most recent amendments proposed by members of the Strategic Advisory Group (191 proposals/comments were made). Mr. Vovk pointed out that the three pillars originally suggested for the draft law by experts from the Energy Community Secretariat (EnCS) and the European Union (EU) were intact, namely: the financial independence, functional independence, and political independence of the Commission.
- On October 19-20, the Project attended a meeting of the Strategic Advisory Group (SAG) on bill No. 2966 "On the National Energy and Communal Services Regulatory Commission." The meeting was at the premises of Verkhovna Rada (VR) Energy Committee. Over 30 experts attended. Olga Bielkova, Deputy Head of the VR Energy Committee and an MP from the Petro Poroshenko Block, dominated the discussion. She also served as moderator. Two MPs attended the meeting: Aliona Babak, Deputy Chairman of the VR Housing Committee, and Victoria Voytsitska, Secretary of VR Energy Committee. International experts representing the EnCS, the EC, EU Member States and the Project were invited by the moderator to provide their comments on each of the major issues on the table. During the meeting, participants discussed issues within the provisions of the bill, recommendations for improvement, and international experience. In the end, the decision was not to define in detail the status of the Commission in the draft law, but to rather leave this subject to the provisions of the Law of Ukraine "On natural monopolies." As a result of the meeting, the participants agreed that DiXi Group will incorporate all comments into the new version of the bill and will distribute it among the SAG members.

- On December 4, the bill was discussed at the National Council of Reforms (NCR) meeting. During the meeting the President of Ukraine urged the parliament to adopt the bill supported by international organizations.
- The Project and Reanimation Package of Reforms (RPR) prepared a statement urging MPs to return the law developed by the GOU for a repeated preliminary reading in the parliament, thus allowing the VR committee to incorporate Strategic Group comments and revisions into the law.
- On December 8 and December 14, the Project and MP Alyona Babak met with Chariman of NECSRC of Dmytro Vovk to discuss the current status of the bill and the NECSRC position on the bill's passage.
- On December 9, the Verkhovna Rada Committee on Fuel and Energy considered bill #2966) and suggested that changes be introduced or the bill be returned to its legislative initiators.
- On December 14, the Project met with NECSRC (V. Morozova). The participants agreed to prepare specific amendments to the bill.
- In December 2015, the Project prepared an updated version of the legislative draft, which was agreed with key parliamentary committees (Fuel and Energy, Housing and Communal Services) and NECSRC. This new version of the bill is ready for the first reading by the parliament, which is planned at the end of January.

### **Law on Commercial Metering of Communal Services**

Based on the results of the coordination meeting held in November 2015 attended by USAID, the EU Delegation and the EU Support Group for Ukraine, the Project initiated support to the development and approval of the Law “On Commercial Metering of Communal Services”. Currently there are several draft laws on metering available, but they are either not fully compliant with the EU acquis or are not aligned with the new legislation on housing and communal services prepared by SAEE and being considered by Verkhovna Rada of Ukraine.

This law is important as Ukraine’s macro-economic stability depends on the IMF and other international loans, the disbursements under which are conditional. One of the conditions applied by the EU and the IMF relates to the metering. In particular, the EU requires approval of the law on metering in line with the EU acquis and the IMF requires installation of heat meters in multi-family buildings by the end of 2017. This need was recognised by Ukraine and reflected in the following documents:

- Energy Community Treaty, Directive 2012/27/EU on energy efficiency, deadline 15/10/2017;
- EU macro-financial assistance, conditionality for the 3rd tranche planned for 2016;
- IMF loan agreement (installation of meters for heating) by the end of 2017.

The approval of the law on metering will also facilitate energy savings and contribute to the reduction of GHG emissions.

The Project developed a structure and critical provisions of the bill “On the commercial metering of communal services”. The development of the legislation is being conducted in close coordination with EU Support Group for Ukraine, MPs and SAEE.

It is anticipated that the draft law will be registered in the Verkhovna Rada in January 2016.

### **Legal acts to facilitate implementation of ESCO mechanism for public (municipal) buildings**

During the reporting period, MERP provided support in the form of an advocacy campaign to ensure the approval of Sample Energy Performance Contract (EPC). CMU approved the sample EPC on October 21, 2015 (resolution #845).

The Project took part in the working group meeting on ESCO regulatory issues hosted by the State Agency for Energy Efficiency (SAEE). As a result of the meetings SAEE, EBRD, and

MERP and its sister projects agreed on the areas of cooperation and developed a plan related to the development of regulatory acts. A summary of the actions and responsibilities of the parties are presented below:

- MERP - development of methodological recommendations to define the baseline consumption of energy resources (heat energy);
- EBRD - development of methodological recommendations related to the procurement of energy services and the conclusion of energy service agreements;
- USAID MFSI-II - development of methodological recommendations on taxation and accounting under energy service agreements; accounting procedures related to property acquired under energy service agreements, and use of budgetary expense classification to reflect transactions under energy service agreements.

MERP will finalize its inputs during Q10 of the project.

**Regulatory acts aimed to facilitate implementation of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building” (registration #417-19)**

During the reporting period, the Project supported the approval processes of the following regulatory acts:

- Procedures for the storage of minutes of HOA meetings and disclosure of decisions made at such meetings (as stipulated by Item 9 of Article 10 of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”);
- Procedures for writing off the balance sheet of multi-family residential buildings (item 6 of the final provisions of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”).

The following legal acts developed with Project support were approved and came into force during Q9:

- Template of the minutes of the HOA meeting (as stipulated by Item 7 of Article 10 of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”);
- HOA Model Charter (as stipulated by article 7 of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”).

The Project conducted a preliminary analysis of the bill “On changes to certain legislative acts of Ukraine pertaining to land plots under multi-family residential buildings” (registration #3576). The analysis showed that land plots under multi-family residential building (municipal land, privately owned land plots are not covered by the bill are allocated and registered in the State Land Cadaster, and no further registration in the State Register of Immovable Property Rights is envisioned. It means that a land plot under a multi-family residential building will have similar status as that of other common property in such building (attics; basements; etc.). The land title will not be subject to a separate line in the register but will arise by act of law and by virtue of the property right on apartment/nonresidential premises in the building. In the Project’s opinion, privately owned land plots under residential buildings should also be covered by the proposed law. Information on the bill was disseminated to AUC and CE Resource Centers for comments and discussion. The Project will conduct a detailed analysis and prepare comments/recommendations in Project Q10.

**Support to non-profit status and functioning of HOAs**

During the reporting period, the Project supported the preparation of amendments to the Tax Code of Ukraine to support the implementation of the Law of Ukraine #417-19 “On the specifics of the right of ownership in a multi-family residential building”. The assistance was provided to the Verkhovna Rada Committee on Construction, Urban Planning, and Housing and

Communal Services and included the preparation of amendments to eliminate an inconsistency between this law and the provisions of the Tax Code of Ukraine regarding the disposition of property during the liquidation of a HOA.

On December 24, the Verkhovna Rada adopted the Law “On amendments to the Tax Code of Ukraine and certain legislative acts of Ukraine regarding the balancing of budget revenues in 2016” (registration #3688). The changes proposed by the Project were included into the text of the law. The adopted law eliminated inconsistencies regarding the allocation of property during the liquidation of a HOA by stating in paragraph 4 of item 133.4.1 of the Tax Code of Ukraine that the given paragraph does not apply to HOAs and HOA associations. With the changes introduced by the law coming into effect, HOAs can foresee in the statutes (without being afraid of losing or not receiving the status of a non-profit organization) that if the HOA is liquidated, the property of the HOA will be distributed among the co-owners.

The Project, jointly with the Ukrainian Center for Independent Political Research (UCIPR), contributed to the preparation of the new draft regulation on the Register of Non-Profit Organizations. In particular, this included:

- Participation in the working meeting at the Ministry of Finance to discuss the problems pertinent to the Register, including reasons for removing non-profit organizations from the Register, the timeframe for considering non-profit status applications, reasons for repeated removal from the Register and requirements for the statutory documents of non-profit organizations;
- Preparation of proposals for the Ministry of Finance and State Fiscal Service of Ukraine on the improvement of the new procedure on the Register of Non-Profit Organizations. The proposals were prepared in close cooperation with UCIPR.

On December 28, the draft of the GOU decree “On approval of the Procedure on the Register of Non-Profit Organizations, entering and removing non-profit organizations from the Register” was placed on the website of the State Fiscal Service of Ukraine for public discussion and comments.

#### **Law “On the specifics of access to information in the field of supply of electricity, natural gas, heat, centralized supply of hot water, centralized drinking water supply and sanitation” (registration #2505a)**

On December 10, 2015, Verkhovna Rada of Ukraine adopted the Law “On the specifics of access to information in the field of the supply of electricity, natural gas, heat supply, centralized supply of hot water, centralized drinking water supply and sanitation” (registration #2505a). This long-awaited legal act was prepared by the National Energy and Communal Services Regulatory Commission (NECSRC) using analytical materials produced by the Project.

This law is an important piece of legislation to support the implementation of European Parliament Directive 2006/32/EC. The law increases transparency and improves tariff information disclosure.

Project support also included analyses/recommendations, participation in discussions and an advocacy campaign to support the consideration and approval of the law by the Verkhovna Rada.

#### **Law “On Housing and Communal Services”**

During the reporting period, the Project participated in discussions on the new version of the bill “On housing and communal services”. The revised bill was supported by the VR committee on December 9, 2015.

In December 2015, the Project conducted an analysis of the new bill, now registered as #1581-d dated December 9, 2015, with a particular emphasis on the state regulation of natural monopolies in the field of energy and communal services.

#### **National Energy Efficiency Action Plan (NEEAP)**

On December 7, 2015, The Cabinet of Ministers of Ukraine (CMU) published an official resolution, namely the approval of Ukraine's National Energy Efficiency Action Plan (NEEAP) to 2020. The NEEAP document describes a development scenario of the Ukrainian energy sector based on the TIMES-Ukraine model, provides recommendations on improving energy efficiency, and set goals for energy consumption reduction resulting from these measures. Ukraine expects to achieve a 9% reduction in energy consumption by 2020. Through SAEF, the Project contributed significantly to NEEAP, including multiple discussions and comments, a briefing note and the completely revised NEEAP draft with input from the Energy Community Secretariat.

### **Amendments to the procedure of adopting investment programs for heat supply, water supply and sanitation enterprises**

MERP continued work on developing the investment programs/tariff investment methodology for municipal utilities, which is crucial to bringing IFI investments (WB, EBRD, European Investment Bank (EIB), and Nordic Environment Finance Corporation (NEFCO)) into municipal infrastructure EE projects. The Project prepared an analytical note related to opportunities for reimbursements of international loans obligation through tariffs, and started a review process of proposals prepared by NECSRC regarding rules and conditions of approvals for investment programs under projects supported by IFIs.

It's expected that the draft regulation (changes to joint Order of MinRegion and NECSRC dated 14.12.2012 #630 "On the adoption of procedures of developing, approving and adopting investment programs of economic subjects in field of heat supply, centralized water supply and sanitation") will be finalized during Q10 of the Project.

### **Task 1.2 Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)**

During the reporting period, the Project prepared the NECSRC assistance Work Plan for Project Year 3. The work plan was discussed with commissioners and staff and was approved by the NECSRC Chairman in December 2015.

#### **Capacity Building**

During the reporting period, MERP continued building NECSRC capacity by conducting the following training seminars:

- "Increased Transparency of Regulatory Decisions and Creation of Transparent Tariff Setting System in Water Supply, Heating and Sewage" on October 13, 2015;
- "Assessment and forecasting affordability of electricity supply, gas supply, district heating, and centralized water and sanitation services under changing tariffs for services" on November 30, 2015;
- "Concept of Tariff Setting System in District Heating, Water Supply and Sewage Sectors on Incentive Regulation Principles – International Experience and Current Issues for Ukraine" on December 8, 2015;
- "Benchmarking in District Water Supply and Sewage Sectors. Benchmarking System Development and Key Aspects of Its Results Application" on December 15, 2015.

In addition to the above, the Project delivered a presentation on best practice for incentive-based regulation to Chairman Dmytro Vovk and Commissioners Ruslan Mashliakivsky and Volodymyr Yevdokimov. The presentation focused on the district heating and water supply sectors.

The workshop: "Reporting of licensees in the field of water, heating and sanitation by type of economic activity" was postponed to 2016, as the NECSRC Order approving the new reporting forms had not been issued yet. It is anticipated that the relevant order will be adopted in January 2016.

The workshop will focus on reporting by licensees operating in the district heating and centralized water and sanitation sectors.

### **Assessment of training needs of NECSRC and preparation of a training schedule**

In November 2015, MERP conducted a training needs analysis (TNA) of NECSRC personnel. Based on the TNA results, the Project prepared a list of training topics and a training schedule for CY2016. The training schedule envisions 13 training sessions for NECSRC personnel, 10 of which will be joint trainings with licensees.

### **Development of service quality monitoring methodology**

In December 2015, the Project completed the development of the service quality monitoring methodology. The “Methodology for monitoring the quality of district heating, and centralized cold and hot water supply, and sanitation services” report was submitted to NECSRC. During the reporting period, MERP started developing the tools for automated service quality monitoring. It is anticipated that this activity will be completed in March 2016.

### **Support improvement of tariff calculation system and regulations governing setting tariffs for thermal energy produced from nontraditional and renewable energy sources**

In November 2015, the Project finalized and submitted to ECSRC two draft decrees on tariff setting for heat energy produced from non-conventional and renewable energy sources. In particular, these are:

- 1) draft decree “On approval of the Procedure for the calculation of tariffs for electric and heat energy produced at heat stations, thermal power stations, and nuclear power plants from nontraditional and renewable sources of energy”;
- 2) draft decree "On approval of the Procedure for revising and setting tariffs for electric and heat energy produced at heat stations, thermal power stations, and nuclear power plants from nontraditional and renewable sources of energy".

### **Support changes to assets valuation methodology changes for natural monopolies in the DH and water & wastewater sectors.**

During the reporting period, the Project participated in meetings of the Asset Valuation Working Group held in October 2015 and discussed two possible scenarios for revising the Asset Valuation Methodology. Both scenarios require pilot evaluations to be conducted for selected utility companies.

Preparations for the pilot asset valuations started in December 2015. As agreed with NECSRC, asset valuations will be conducted for heating utilities in Kharkiv, Kherson, Kamianets-Podilsky, and for water/wastewater utilities in Kirovohrad, Ternopil, and Kamianets-Podilsky. The Project developed templates to collect data from licensees for pilot asset evaluation. On December 23, 2015, NECSRC officially requested the data from the selected licensees. The Project started communicating with the World Bank regarding co-financing the assets pilot valuation.

### **Assist NECSRC in the gradual introduction of RAB incentive tariff regulation for heating and water utilities.**

MERP continued supporting the introduction of incentive-based tariff regulation. Based on discussions with NECSRC Chairman Vovk and Commissioners Mashliakivsky and Yevdokimov and comments received from NECSRC, the Project produced an updated and final version of the Concept on the gradual introduction of RAB incentive-based tariff regulation.

The Concept will be submitted to NECSRC in January 2016.

### **Assist NECSRC in establishing a transparent system of tariff setting and regulatory decision-making.**

MERP delivered the “Increased transparency of regulatory decisions and creation of the transparent tariff setting system in the water supply and sanitation, and heating sectors” workshop to NECSRC. MERP started working with NECSRC on guidelines related to the creation of a system of transparent tariff-setting and regulatory decision-making. The initial report with recommendations had been prepared and discussed with NECSRC.

The report will be finalized in January 2016.

**Develop a mechanism to use benchmarking indicators based on an analysis of best international practice.**

During the reporting period, the Project completed a report with recommendations on the use of benchmarking results in regulatory activities. The report will be submitted for NECSRC review and comments in January 2016.

**Assist and support NECSRC to improve drafts of regulatory reporting forms by licensees, considering the results of testing by licensees.**

The Project continued assisting NECSRC on improving regulatory reporting by licensees. The Project experts together with NECSRC staff reviewed and improved reporting forms.

In December 2015, new forms were submitted to NECSRC for review and approval. Following the review of the forms by the Legal Department of NECSRC, relevant decrees on adoption of the forms were placed on NECSRC official website. We expect new forms adoption in January 2016.

**Assist NECSRC to improve current legislation on tariff regulation.**

During the reporting period, the Project prepared and discussed with NECSRC, MinRegion and the Potable Water of Ukraine Association the draft decrees needed to implement changes in calculation of tariffs for housing and communal services introduced by the CMU (decree #670, dated September 2, 2015).

In addition, the Project contributed to the final discussion of the new decrees held during the “Normative and legal base of the National Commission pertinent to operations of the heating and water and wastewater utilities. Problems and challenges” Round Table on December 28, 2015. Following the Round Table discussions, NECSRC and the Project finalized the decrees.

**Task 1.3 Supporting Improvement of the Social Safety Net for the Vulnerable**

During the reporting period, the Project, jointly with the World Bank, conducted a final training seminar in Zhytomyr Oblast on the new subsidy program for the social protection departments of regional offices of the Ministry.

At a meeting at the World Bank held on October 13, the Project contributed to the discussion of the results of the joint Project and World Bank workshops delivered for the local social protection authorities (24 oblasts of Ukraine, with over 2 000 participants).

MERP continued supporting the Ministry of Social Policy on the improvement of the social safety net for the vulnerable portions of the populace.

**Assessment of the effectiveness of the subsidy program, support of discussions with the GOU on the efficiency of the subsidies system and preparation of analytical materials/recommendations related to changes in the privileges and subsidies systems.**

The Project analyzed and developed set of indicators and procedures for assessing the efficiency of the new subsidy program. The analysis is based on data collected during the workshops delivered for the regional social protection offices of Dnipropetrovsk, Zhytomyr, Ternopil, and Kyiv oblasts. The Project will work on developing an assessment model. Data collection from Project partner cities and from the regional social protection offices will be completed during Q10 of the project.

The Project assisted in establishing an inter-departmental working group to justify the social norms for housing and communal services within the minimum consumer set of goods/services for various age groups of the populace. In November 2015, the Project contributed to an inter-governmental working group discussion. First Deputy Minister of the Social Policy Vasyl Shevchenko and representatives from the Ministry of Economic Development and Trade,

Ministry of Health, MinRegion, and State Agency for Energy Efficiency and Energy Saving attended the meeting.

The Project participated in several working meetings with the Social Protection Department of the Ministry of Social Policy to discuss: (i) the subsidy provision procedure, (ii) allocation of subsidies for the length of the heating season, (iii) subsidy recalculations, (iv) obtaining data on the income of entrepreneurs, and (v) subject matters of the explanatory letters for the regional social protection authorities.

The Project, through social media and partner organizations' web sites, provided informational coverage and supported discussions related to new initiatives and provision of housing subsidies.

### **Development of proposals on the improvement of social housing norms and norms of consumption of housing and utility services**

As a result of Project assistance to the GOU regarding the improvement of social housing norms and norms of consumption of housing and utility services, on October 28, 2015, the GOU adopted Decree #842 "On amendments to GOU Decree #409 dated August 6, 2014".

The decree introduced changes to the substance of certain social norms and to the norms-setting procedure regarding specific social norms. This is the result of intensive Project effort. The specific changes introduced by the decree are:

- Centralized heating service is added to the list of communal services for which social norms are set;
- There is now a social norm for the consumption of centralized heating service (where heat meters are installed). It is 0.0548 Gkal/m<sup>2</sup> of heated space per month during the heating season;
- Where electricity is metered separately, the social norm for consumption is now differentiated by time of day - morning, day or night;
- Social norms are now set at 0.4167 m<sup>3</sup>/person per month for solid household waste disposal and 0.76 m<sup>3</sup>/person per month for liquid waste removal.
- Adjustment coefficients for calculating consumption of heat, electricity, natural gas and other fuels for heating purposes are now established for the following three groups of residential buildings: 1) 1-2-story buildings, 2) 3-4-story buildings, and 3) 5+ story buildings.

The Project assisted the Ministry of Social Policy in preparing an explanatory letter on the implementation of changes introduced by GOU Decree #842 and on the allocation of subsidies when social norms change. The Ministry of Social Policy distributed explanatory letter to the regional social protection departments.

In addition, the Project provided consultations to the regional social protection bodies of Kyiv, Dnipropetrovsk, Zhytomyr, Lviv, Cherkasy, Kirovohrad, Rivne, Ternopil, Khmelnytskyi, and Zaporizhzhia oblasts on the implementation of changes in the social norms.

### **Development of a concept and plan of actions to introduce incentives to implement energy efficiency improvements by low-income families, housing subsidy recipients.**

The Project discussed proposals with the Ministry of Social Policy on how to use the monetary savings from the more efficient use of communal services and EE incentives for subsidy recipients. As a result of the meeting, the parties agreed that MERP would:

- Comment on the Ministry of Social Policy's proposals;
- Prepare amendments to legislation on a non-monetized form of social protection;
- Develop a procedure for providing monetary subsidies.

SAEE established, with Project assistance, a special informal working group to deal with these tasks. This group includes representatives from the Ministry of Social Policy, Ministry of Finance, MinRegion, National Energy and Communal Services Regulatory Commission, Naftogaz of Ukraine, and the Project.

The Project contributed to the group discussions on the methods for encouraging low-income families receiving subsidies to implement EE improvements. In particular, this included:

- Proposals (draft of the corresponding amendments to the subsidy provision procedure) on the concept for increasing residential energy efficiency and on reforming social protection for low-income families.
- A prepared case study for the City of Bila Tserkva to present a brief analysis of changes in the socio-economic portrait of participants of the housing subsidy program and to support the assessment of EE-encouraging methods and tools.

#### **Task 1.4 Supporting Energy Efficiency Standards**

During reporting period, the Project continued assisting MinRegion in developing a missing part of the mandatory building norms. In particular, State Research Institute of Building Construction prepared the first draft of State Building Norm DBN 2.6-14:201X Designing of Building Roofs.

In coordination with other donors, the Project continued assisting GOU Technical Committees (SAEE) in reviewing and approving EE standards and in the development of enforcement actions and documents for the implementation of energy management systems as per ISO 50001.

The national standard on Energy Audit of Buildings is pending GOU approval. The delay is caused by changes in the approval procedures.

#### **Task 1.5 Public Information and Awareness Campaign**

During October-December, the Project conducted a series of trainings for about 120 journalists from the following oblasts: Chernihiv, Dnipropetrovsk, Donetsk, Ivano-Frankivsk, Kherson, Khmelnytskyi, Kyiv, Lutsk, Lviv, Rivne, Sumy, Ternopil, Vinnytsia, and Zaporizhzhia.

The Media about Energy Efficiency and Social Protection under Raising Tariffs for Communal Services workshops included practical information, interactive discussions and exercises on a variety of topics. The topics covered Ukraine's energy balance; Energy Efficiency (EE) in the residential sector, measures for EE improvements in buildings, and alternative energy resources. Through a series of interactive presentations and discussions, journalists also learned why communal services tariffs are increasing, what social protection measures have been introduced by the government to support low-income families, and how to receive a loan for EE measures in multi-apartment buildings, among others. Project trainers also worked with the audience to explain the need to change the mentality of Ukrainians towards EE with a stress on the educational role that media should play to help the audience make sound decisions related to efficient energy consumption. In addition, producers of energy efficient materials and equipment had a chance to speak at the seminar. They briefed journalists about a variety of materials for thermal modernization, their advantages and disadvantages for different types of buildings; demonstrated energy efficient windows; delivered presentations on the technical characteristics of heat meters, and the importance of their consumption control function. All participants received packages of information materials featuring topics such as energy efficiency, alternative energy, and HOA development.

The Project organized a study tour for journalists from its seven partner-cities who were trained last year – namely Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Kyiv, Vinnytsia and Zaporizhzhia – to the village of Severynivka (Vinnytsia Oblast). The village is an example of the effective use of alternative energy, such as biomass and solar panels for heat and electricity in public buildings.

Together with the State Agency for Energy Efficiency (SAEE), the Project created a brochure aimed at increasing the awareness of Ukrainians about the energy efficiency measures enabling them to reduce their expenses for communal services. The brochure provides answers to the questions – What is energy efficiency? What is important to know about the heat insulation of a building's envelope and roof? What is the use of individual heat substation installation? How to properly reconstruct windows and doors correctly? In addition, the brochure contains descriptions of the government programs for providing energy efficiency-related loans for individuals, condominiums and housing cooperatives. 100,000 copies of this brochure were printed at SAEE's expense in cooperation with GIZ and distributed throughout Ukraine.

The copies of the brochure were disseminated through 471 educational seminars to more than 30,000 citizens. These seminars were conducted by SAEE throughout the country. Over 2,000 representatives of condominiums and housing cooperatives participated in these events. The target audience was also represented by residents of multi-apartment buildings, representatives of municipal and village housing committees, city and district administrations, NGOs, legislators of all levels, producers of EE materials and equipment, as well as media.

The Project completed the Community Based Marketing Campaign on Condominium Development in Lviv. The Project conducted this campaign in cooperation with the Resource Center for Condominium and Clean Energy Support (Resource Center) of Lviv City Council and Lviv City Institute. The information campaign, which went under the slogan "This Is Your Home – Be Its Master!" was designed to convey information about how to change the world around you, starting with your own home, to prepare Lviv residents for the housing and communal sector reform, to raise awareness and responsibility of the residents of multi-apartment buildings, and to promote the creation of condominiums and benefits of energy efficiency measures in multi-apartment buildings. Within the scope of the campaign, during a two-month period the Lviv Resource Center organized 16 meetings with the residents of 123 multi-apartment buildings in the Sykhyivskyi district of Lviv. Total number of apartments covered 10 389. To support the campaign, MERP experts developed a series of brochures "Energy: what to do and where to get the money?", "Building management: how to exercise your rights", "Our home - our property" (<http://www.merp.org.ua/index.php?lang=uk&Itemid=968>). As a result of this effort, 44 new initiative groups had been registered as those willing to create HOAs.

The Project created a 12-minute TV program called "Your Home". The program is broadcasted on UA- PERSHYI TV Channel (State-owned), which covers the whole territory of Ukraine. Ten TV programs have been broadcast and topics have been identified and scenarios developed for 15 more. Every Sunday, the Ukrainian people receive simple answers to complicated questions: Why tariffs for communal services grow? How to receive subsidies? How to establish a condominium? How to save energy resources and pay less for communal services, among other urgent questions.

The TV rating scale of UA-PERSHYI TV Channel demonstrates that "Your Home" has one of the highest ratings. MERP received several requests to permit broadcasting of the programs by regional (municipal) TV channels.

The program is also promoted and distributed through the FB pages of MERP, OPORA, MDI and USAID. So far, the program has reached 540,000 people with over 95,000 views, a number of reposts, likes, and over 8,000 comments.

Upon request from the Kyiv City State Administration, permission for broadcasting this program was also given to the Kyiv Municipal TV channel. The first segment of the program was on the

air on Saturday, November 28. The cities of Slavutych, Sumy and Ivano-Frankivsk also requested rights to broadcast MERP program on their regional TV channels.

The Project helped organize energy efficiency workshops for about 100 representatives of condominiums or those individuals who were interested in establishing HOAs. Four one-day workshops were announced in social networks and held under the umbrella of "Academy of Responsible Owners". Materials related to these trainings (announcements, flyers, reports, articles, news, etc.) reached more than 70,000 contacts through social media and websites.

The Project also used social media and subcontractor online platforms to highlight topics related to economically justified tariffs, social protection measures (communal subsidies), energy efficiency, promotion of condominiums, and reform of the housing and communal sector. About 629 information messages related to these topics were published during the reporting period.

The Project, SAE, a commercial ad agency developed three types of new billboard posters. These posters will promote effective energy saving measures in multi-apartment buildings and the creation of HOAs thus promoting citizens' use of the state program of loan compensation for EE projects. Starting from January 2016, 500 such billboards will be placed in Project partners-cities.

The Project website was updated to include billboard messages on HOA creation, EE introduction in multi-apartment buildings and the state program on loan compensation [http://www.merp.org.ua/index.php?option=com\\_content&view=article&id=199&Itemid=1041&lang=uk](http://www.merp.org.ua/index.php?option=com_content&view=article&id=199&Itemid=1041&lang=uk). Similar information will be placed on SAE and MinRegion web-sites.

During the reporting period, the Project produced a number of information materials to support its information campaign on the social safety net. To address the most common questions that arise on behalf of the populace regarding communal services subsidies, the mechanisms/rules of their allocation, and categories of recipients, the Project developed a series of posters that have been placed on the MERP Website and FB page and distributed through sub-contractors' web resources and social networks.

The Project created a new brochure on "Why tariffs go up", which includes updated information regarding tariff reform. The brochure will be published by the end of January 2016.

Scenarios for viral videos about social subsidies for communal services and the importance of saving energy in multi-apartment buildings were developed.

## **ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS**

### **Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for CE Projects**

In October 2015, the Project in conjunction with the World Bank held the Developing Projects, Financing Opportunities and Further Cooperation conference. Almost 100 representatives from IFIs, including EBRD, NEFCO and World Bank, donor agencies (USAID), Ukrainian cities and governmental agencies attended the event. The Project presented typical investment projects for the partner cities, opportunities resulting from ESCO and PPP legislation in place, and key principles of introducing ISO 50001-based energy management systems in the cities. IFI's gave presentations on current portfolios and financing opportunities in the municipal sector with a particular emphasis on Energy Efficiency.

### **Information on the progress of SEAPs development and approval**

On October 7-8, 2015, the Project conducted the final SEAP Workshop for the Second Group of Partner Cities. It focused on the following topics: strengthening the MEP and SEAP development approach, the SEAP approval process, initiatives of local and regional authorities to conduct energy efficiency policies (good practices), and SEAPs prepared for the second group of cities. During the Workshop, the second group of municipalities presented their drafts of SEAPs. As a

result of the event, the Project provided comments and recommendations for further developments, actions and improvements of SEAPs.

### **Khmelnyskyi**

The Project completed the development of a SEAP for Khmelnytskyi in Project Q8. During the reporting period the Catalog of Investment Projects was expanded with two new investment projects upon request of Khmelnytskyi City Council: on solid domestic waste management and on water and sanitation.

The final SEAP presentation in Khmelnytskyi has been postponed due to the election process and resulting personnel changes. It is anticipated that the SEAP presentation will be held in January 2016.

### **Kyiv**

In October 2015, The Kyiv City Administration organized a public discussion of the draft Sustainable Energy Action Plan (SEAP) for Kyiv. The Project helped develop these plans. The document was based on a thorough analysis of the consumption and city needs in energy. This analysis of the project was conducted with the help of the World Bank TRACE software, which allowed identifying the most feasible projects for implementation as part of SEAP. During the SEAP development process, the Project closely cooperated with the Municipal Advisory Committee on Energy Planning. This approach enabled the creation of a document, which if successfully implemented, will help the city to save 50% of the natural gas in the district heating systems by 2030.

### **Kyryvi Rih**

The Project finalized the Draft SEAP preparations. The SEAP discussions and presentations were postponed due to elections. In addition, the SEAP may have to be revised to incorporate projects for potential EIB financing (water sector).

### **Lutsk**

On October 1, the Lutsk SEAP was presented at the expanded meeting of the Advisory Committee of Lutsk City Council. Local authorities, including the Mayor of Lutsk Mykola Romanyuk, representatives of utility companies, media, and the public, attended the presentation. One hundred copies of the condensed version of the Lutsk SEAP were disseminated to presentation participants. On October 6, Lutsk SEAP was adopted at the session of Lutsk City Council.

### **Pavlohrad**

The Project finalized the Draft SEAP preparation. The SEAP discussions and presentations were postponed due to elections. In addition, the SEAP may have to be revised to incorporate projects for potential EIB financing (water sector).

### **Rivne**

The Project finalized the Draft SEAP preparation. The SEAP was submitted to the city for review and comments.

### **Sumy**

The Project finalized the Draft SEAP preparation. The SEAP was submitted to the city for review and comments.

### **Ternopil**

The Project finalized the Draft SEAP preparations. The final presentation is scheduled for January 2016.

### **Vinnysia**

The Project submitted the final and condensed versions of the SEAP, Catalog of Investment Projects and Investment Strategy to the city. The delay with SEAP approval is due to the

submission of the monitoring reports to CoM. The Project expects that the presentation of the revised SEAP will be held in January 2016.

Current status of SEAPs for partner cities is summarized in the table below:

<b>City</b>	<b>SEAP development/ improvement (D or I)</b>	<b>SEAP Status / Comments</b>	<b>New or Revised SEAP approval date</b>
Chernihiv	D	Approved. Implementation started.	June 4, 2015
Dnipropetrovsk	D	Approved. Implementation started.	March 11, 2015
Ivano-Frankivsk	I	Approved. Implementation started.	July 28, 2015
Kherson	D	Approved. Implementation started.	February 20, 2015
Kramatorsk	D	Approved. Implementation started.	April 22, 2015
Vinnytsia	I	Final Version Prepared. Awaiting city council approval.	
Zaporizhzhia	D	Approved. Implementation started.	March 25, 2015
Ternopil	I	Final Version Prepared. Awaiting city council approval.	
Khmelnitskyi	D	Final Version Prepared. Awaiting city council approval.	
Kyiv	D	Draft Version prepared. Under revision.	
Rivne	D	Draft Version prepared. Under revision.	
Sumy	D	Draft Version prepared. Under revision.	
Lutsk	I	Approved. Implementation started.	October 6, 2015
Pavlohrad	D	Draft Version prepared. Under revision	
Kriviy Rih	I	Draft Version prepared. Under revision	

During the reporting period, the Project supported the preparation of public hearings on SEAPs in the partner cities that finalized their Sustainable Energy Action Plans (SEAPs).

The fifteen SEAPs for partner cities (drafts and approved) envision total CO<sub>2</sub> emissions reducing by a total of 4,078 thousand tons by 2020. The investments required to achieve this target is estimated at 61 UAH billion or approximately 2.5 USD billion.

A summary of the funding required and CO2 emissions reduction by city are presented in the table below.

#	USAID MERP Partner City	Investment required according to SEAP (by 2020), thousand UAH	CO2 Reduction by 2020, tons	Investment By Sector, thousand UAH						
				Municipal Buildings, equipment/facilities	Residential Buildings	Tertiary (non-municipal) buildings, equipment/facilities	Municipal public lighting	Transport	Water supply and waste water, Energy Production, Solid Waste	Other
1	Ivano-Frankivsk	2,349,685	114,813	253,639	541,672		11,256	199,839	1,339,450	3,829
2	Ternopil	2,586,277	102,409	390,181	603,894		29,050	87,792	1,475,361	
3	Rivne	1,424,448	108,896	211,193	672,843		43,711	20,819	475,882	
4	Dnipropetrovsk	7,598,166	341,338	830,196	686,773	18,652	15,000	5,462,920	584,625	
5	Sumy	721,803	68,026	96,099	208,290	10,271	1,568	311,842	93,734	
6	Kryvyi Rih	2,860,190	212,443	1,287,310	686,792	62,925	8,457	1,007	813,701	
7	Kramatorsk	5,389,452	298,222	327,712	288,705		18,546	4,141	418,356	4,331,993
8	Kherson	1,159,871	94,950	121,611		458,390	283,777	70,093	226,000	
9	Pavlohrad	154,292	6,385	129,922			1,250		15,333	7,788
10	Kyiv	27,876,221	1,295,261	3,259,079	7,391,638		95,875	3,732,975	12,930,737	465,917
11	Zaporizhzhia	3,229,205	296,229	1,946,092	400,838		264,932		579,728	37,614
12	Lutsk	909,710	193,800	124,183	227,897		23,687	206,101	310,917	16,925
13	Chernihiv	852,084	315,290	192,697	254,174		7,153	136,670	254,101	7,289
14	Vinnitsia	2,728,086	447,861	370,191	656,947		50,056	222,728	1,422,164	6,000
15	Khmelnitskyi	1,117,727	181,640	209,000	323,526		65,008	255,461	211,511	53,221
<b>TOTAL</b>		<b>60,957,216</b>	<b>4,077,564</b>	<b>9,749,103</b>	<b>12,943,989</b>	<b>550,237</b>	<b>919,325</b>	<b>10,712,386</b>	<b>21,151,600</b>	<b>4,930,575</b>
<b>Approx. Value in thousand USD</b>		<b>2,539,884</b>		<b>406,213</b>	<b>539,333</b>	<b>22,927</b>	<b>38,305</b>	<b>446,349</b>	<b>881,316</b>	<b>205,441</b>

### **Prepare catalogs of CE investment projects to reduce CO2 emissions for each pilot city.**

To facilitate investment in partner cities, MERP continued preparing investment catalogs to attract financing from IFIs and the private sector. During Q9, the Project finalized the investment catalogs for the cities of Chernihiv, Vinnytsia, Lutsk and Khmelnytskyi.

The cities of Dnipropetrovsk, Ivano-Frankivsk will receive MERP assistance in developing investment catalogs during Q10 of the project. It is expected that catalogs for these cities will be developed by the end of February 2016.

### **Develop concept paper on information portal**

The Project developed the draft Concept Paper on the information portal that will help inform key stakeholders (municipalities, utility companies, IFIs, private investors, ministries) on new opportunities for investment in CE projects.

In addition, Association of Energy Auditors of Ukraine updated the catalog on Available Financial Opportunities for Financing CE projects in Ukraine.

### **Specific Project development and support**

The Project continued assisting the partner cities with the preparation, structuring, and negotiation of clean energy investment projects listed in the SEAPs. During the reporting period, the Project conducted the following activities:

- Finalized the selection of buildings for the pre-feasibility study for Zaporizhzhia to support EE projects in public buildings;
- Finalized business plans for EE in public buildings projects for the cities of Lutsk and Khmelnytskyi and assisted these cities to prepare grant applications for E5P funding;
- Finalized pre-feasibility studies for Vinnytsia, Kherson and Dnipropetrovsk to support the substitution of natural gas with biomass for several boiler houses;
- Completed pre-feasibility study for the “Collection and utilization of landfill gas at the solid waste landfill in Khmelnytskyi” project and initiated solid waste management studies for Lutsk and Ivano-Frankivsk;
- Prepared and presented to the City of Khmelnytskyi a project concept for “Creation of a biofuel-fired cogeneration unit for the ‘South-Western Heat Networks’ communal utility” for the city;
- Conducted an in-depth energy audit to develop the technical specifications for an EBRD loan for the City of Ternopil.

During the reporting period, the Project organized and conducted presentations and discussions related to financing of EE projects. In particular:

- On October 20, 2015, MERP team visited the city of Zaporizhzhia to discuss the implementation of its SEAP and the launch of preparations for the pre-feasibility study under an EBRD loan for energy performance contracting in public buildings. The Project described the main steps for the pre-feasibility studies, which include site selection, investment grade audits, risk analysis and financial analysis.
- On November 17, 2015, Lutsk City Council presented the revised Lutsk SEAP to NEFCO. As a result of the presentation, NEFCO expressed an interest in issuing a EUR 5 million loan to Lutsk for increasing energy efficiency in public buildings, with the possibility of receiving about EUR 2 million as a grant from E5P. It is anticipated that the above-mentioned loan will be spent for the thermal modernization of over 40 public buildings in Lutsk (out of 77 public buildings included into the Lutsk SEAP). This means that over two thirds of the total number of public buildings of Lutsk (including eight

public buildings in the Business Plan for Lutsk) will be covered. Based on the request of the city, the Project will provide technical assistance in preparing loan and grant applications.

- On December 22, 2015, the Project visited Khmelnytskyi to discuss the implementation of the following projects: 1) “Collection and utilization of landfill gas at the solid waste landfill in Khmelnytskyi”; 2) “Comprehensive energy management system for district heat supply and connection of buildings to the system (CEMS); and 3) “Creation of biofuel-fired cogeneration unit for “South-Western Heat Networks” communal utility”. As a result of the visit, the city agreed to establish a task force on the development and implementation of the “Collection and utilization of landfill gas at the solid waste landfill in Khmelnytskyi” project, to hold a separate working meeting with representatives of the heat supply companies, and to conduct joint work on the two other projects.

A summary of the information on Project support provided to partner cities on the preparation and implementation of Clean Energy (CE) projects is provided in the table below:

City	CE Project	Type of support	Approx. value, million USD	Funding Leveraged	Potential or Existing Funding Source
Chernihiv	Improving public electric transport system	Pre-feasibility study	9.2		EBRD
Dnipropetrovsk	Installation of biomass boilers (gas replacement)	Pre-feasibility study	0.7		NEFCO, Private
Ivano-Frankivsk	EE measures in public buildings	Energy audits	1.1		NEFCO, E5P
Ivano-Frankivsk	Solid waste management	Project concept	Being estimated		Private
Kherson	World Bank District Heating EE Project	Technical specifications and assisting PIU	22.0	22.0	World Bank
Kherson	Installation of biomass boilers (gas replacement)	Pre-feasibility study	0.2		Private
Kramatorsk	SUDEP grant for improving public electric transportation	Energy survey, SEAP	1.0	1.0	EU
Kramatorsk	Installation of biomass boilers (gas replacement)	Pre-feasibility study	Being estimated		Private
Vinnytsia	Installation heat pumps at waste water treatment plant	Energy audit, project concept	13.9		TBD
Vinnytsia	Installation of biomass boilers (gas replacement)	Pre-feasibility study	2.4		NEFCO, Private

City	CE Project	Type of support	Approx. value, million USD	Funding Leveraged	Potential or Existing Funding Source
Zaporizhzhia	ESCO for public buildings	Pre-feasibility study, support of performance contracting	28.0		EBRD
Ternopil	Assistance to district heating utility	Technical specifications and assisting PIU	16.8	16.8	EBRD
Khmelnyskyi	Energy production from landfill gas	Energy survey, Pre-Feasibility Study	3.0		Private
Khmelnyskyi	EE measures in public buildings	Business Plan	0.6		NEFCO, E5P
Khmelnyskyi	Establishing of energy management system for public buildings	Pre-feasibility study on energy management	Being estimated		World Bank
Krivy Rih	EE measures in public buildings	Project Concept	0.4		NEFCO, E5P
Krivy Rih	EE measures in public buildings	Project Info, Pre-Feasibility study will be developed	25.0		EBRD
Kyiv	EPC for public buildings	Legal support of ESCO project	9.5	9.5	NEFCO, City
Kyiv	Establishing of energy management system for public buildings	Pre-feasibility study on energy management	20.0		World Bank
Sumy	Improving EE in public buildings	Energy audits for loan application	Being estimated		NEFCO, E5P
Lutsk	Improving EE in public buildings	Business planning	0.7	0.7	NEFCO, E5P
Lutsk	Improving EE in public buildings	TBD (pending clarification from NEFCO)	8.0		NEFCO, E5P
Lutsk	Solid waste management	Project concept	Being estimated		Private
<b>Total</b>			<b>162.5</b>	<b>50.0</b>	

*Note: Investment in the Ivano-Frankivsk “EE measures in public buildings” project may extend to a possible USD 7.0 million.*

### **Funding leveraged for residential energy efficiency**

As of December 28, 2015, the amount of loans issued under the State Program to support residential energy efficiency (excluding loans related to the purchase of non-gas fired boilers) reached UAH 1 billion 275 million or approximately USD 55 million (using the National Bank of Ukraine exchange rate of 23.14 UAH/USD). In all, 79,545 loans had been issued to December 28, 2015 as compared 1,604 at the beginning of calendar year. Starting from May 2015, over 190 HOAs received loans under the program.

### **Task 2.3 Introduction of Energy Management Systems**

The Project finalized the introductory seminars on Municipal Energy Management for the second group of partner cities. The Project presented a basic approach to the establishment of a Municipal Energy Management System and discussed the functions of municipal energy managers. Presentations included the four key pillars of energy management: monitoring, analysis, decision-making, and taking action. The Project, in cooperation with city administrations, developed a package of draft documents required to establish energy management systems in accordance with ISO 50001.

The Project developed a concept (plan) to conduct a series of Certified Energy Management (CEM) trainings throughout Ukraine. The Project is considering supporting partner cities to provide for the certification of key energy management personnel.

### **Task 2.4 Development Credit Authority Loan Guarantee**

Since the start of 2014, Bank of Lviv had received 18 applications and issued seven EE loans for a total of UAH 5,300,000.00 and EUR 747,400.00.

As of September 30, 2015, the DCA utilization ratio remained unchanged as compared to the previous quarter end and stood at 10.59%.

During the reporting period, Bank of Lviv received three new loan applications from SMEs. The bank's Credit Committee decisions are expected in Q10 of the project.

Despite strong competition from the banks operating under the State program, the Bank continues considering the EE lending program as priority. In 2016, apart from EE in the residential sector, the Bank is determined to spread EE lending activities to SMEs operating in the hotel and restaurant business, food industry, wood processing industry, and consumer goods industry.

During the reporting period, two trainings were delivered for Bank of Lviv:

- 1) On energy audits in public and multi-apartment residential buildings; and
- 2) Financing the implementation of EE projects at hotels and in restaurants (HORECA) and the food industry.

Bank of Lviv agreed a MERP's Work Plan assistance for the period October 2015 – September 2016.

The start of assistance to Procredit Bank is on hold pending a USAID and Procredit Bank management orientation meeting.

### **Task 2.5 Support Mechanisms that Mobilize Private Sector Investment**

#### **Support to ESCO mechanisms implementation**

During the reporting period, the Project finalized the selection of buildings to develop a pre-feasibility study for a potential EBRD funded project. In addition, the Project initiated legal

support for the establishment of an ESCO mechanism to support the EE modernization of public buildings in Zaporizhzhia.

A similar project concept for potential EBRD funding is under preparation for the city of Kryvyi Rih.

### **Public private partnerships**

During the reporting period, the Project conducted a survey to assess partner cities' potential to implement CE projects on PPP principles. The Project identified seven municipalities for potential project implementation support. The specific projects include:

- Dnipropetrovsk: reconstruction and modernization of boiler houses.
- Kyiv: utilization of alternative sources of energy for the production of heat energy for an orphanage house.
- Kryvyi Rih: collection and utilization of landfill gas.
- Lviv: installation of heat pumps for three educational establishments.
- Sumy: reconstruction of a boiler house.
- Kherson: construction of a bio-fuel CHP.
- Khmelnytskyi: collection and utilization of landfill gas.

### **Energy efficiency in the residential sector**

During the reporting period, the Project supported a number of activities aimed at promoting EE in the residential sector. In particular, this included: 1) support of Clean Energy Resource Centers operations; and 2) discussions and recommendations related to the continuation and improvement of State-funded EE partial loan compensation program for the residential sector; 3) Revolving Fund concept development.

### **Support to Clean Energy Resource Centers operations**

During the reporting period, the Project continued providing informational and consulting support to Clean Energy Advisory Centers.

In November 2015, 150 representatives of HOAs, sustainable energy resource centers, national and local government officials, international projects, and commercial banks gathered at the 6<sup>th</sup> National HOA Forum in Lviv to discuss:

- HOA legal and regulatory framework;
- Legislative changes (led by MERP);
- Operational issues;
- Energy efficiency in buildings (led by MERP);
- The role of resource centers;
- The national partial loan compensation program;
- Other financing.

During the reporting period, the Project held a workshop for CE Resource Centers called “Key issues for CE Resource Centers: challenges and opportunities”. The workshop participants discussed:

- Information dissemination efforts of CE Resource Centers;
- Cooperation with EE materials and equipment producers;

- Regulatory activities and State support of residential EE improvements;
- Implementation of new laws and regulations in Project partner cities: best practices;
- Legal aspects pertaining to the implementation of EE projects in residential buildings;

The Project developed a draft Concept Paper for CE projects to be co-financed by EE equipment and materials producers, local authorities, and building residents. The draft Concept was discussed with the representatives of CE Resource Centers at the workshop in Kyiv in December 2015. Six different EE projects (payback period: 1-10 years; required investment: UAH 60,000 – 1,500,000) were analyzed and proposed for implementation. The discussions were also focused on stakeholders; conditions under which cities/multifamily residential buildings will be selected for the implementation of the demonstration projects; calendar plan for demo project implementations; possible problems and barriers; organizational and legal aspects pertaining to investing into the demonstration projects. The Concept Paper will be finalized in Q10 of the project.

### **State funded EE partial loan compensation program for residential sector**

Project grantees in cooperation with other NGOs conducted extensive advocacy campaigns to support the continuation of the State program in 2016. As a result of their efforts, CMU decree "On the extension of the state target economic program on energy efficiency and the development of energy production from renewable energy sources and alternative fuels for 2010-2015" was approved on November 11, 2015. The budget of Ukraine for 2016 has 790 million UAH allocated for the partial compensation of EE loans in the residential sector.

### **Revolving fund concept**

The Project finalized the Concept of the Pilot Revolving Fund to finance EE measures in residential buildings. It is anticipated that the Revolving Fund will be established in Lutsk.

### **Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials**

In October-December 2015, the Project supported a number of outreach events on the national and municipal levels. For example, the Project participated the VI National Condominium Forum, which was held in Lviv and gathered nearly 150 chairpersons of condominiums and management companies from all over Ukraine, representatives of the local authorities, and international organizations working in the energy and housing and communal services sectors.

The Project also participated XI International Congress "Institutional and Technical Aspects of Housing and Communal Sector "2015", as well as VII International Investment Business Forum on Energy Efficiency and Renewable Energy. At the first one MERP COP Larry Good emphasized that the Project fruitfully cooperates with MinRegion and provides comprehensive legal and regulatory assistance to its specialists. At the second – Vira Illiash, Director of Communications and GR of the Project, based on the example of USAID MERP information campaigns, demonstrated how to dispel common myths and change the mentality of Ukrainians towards energy efficiency.

In November 2015, MERP supported Energy Saving Week in Donetsk oblast. Energy Saving Week was conducted in four cities in Donetsk oblast – Druzhkivka, Kostiantynivka, Kramatorsk and Sloviansk. For maximum dissemination among the populace of energy-saving ideas, the Project presented information materials (posters and brochures) to the Unit of Efficient Use of Energy Resources at the Basic Industries Development Department of Donetsk Oblast State Administration. In the course of special training events, the residents of these cities, including school children received the brochures "Clean Energy – Clean Future", "Support Program for the Population, Condominiums and Housing Cooperatives in Implementation of Energy Efficient Measures" and "10 Tips How to Save Heat in Your Home". Also, information posters "Saving Energy in Your Home Is Your Personal Contribution to the Improvement of Ukraine's Energy

Safety!” with simple tips on energy saving in everyday life were placed in all the vehicles of communal utility “Druzhkivka Avtoelectrotrans”.

In December 2015, the Project assisted with the organization and conducting of Sustainable Energy Day in Lutsk. MERP COP Larry Good made welcoming remarks at the opening of the event and met with Mykola Romanyuk, Lutsk City Mayor. 300 copies of information materials on energy efficiency, clean energy sources, and HOA development were distributed during sustainable Energy Day in Lutsk. MERP also provided prizes for the winners of the children’s drawings contest.

In December 2015, the Project held an education seminar devoted to EE measures in apartment buildings, government, and commercial programs on providing loans for Energy Efficiency measures. There were 54 participants, including representatives of HOAs/EE Resource Centers, HOAs Associations, municipal authorities, representatives of MinRegion, SAE, commercial banks, producers of insulation materials and equipment, etc.

The Project utilized its clients’ regional network to organize or participate in over 60 public and media events related to energy efficiency, alternative energy sources, climate change, and HOA development. These activities included presentations and education activities in schools, centers for social protection, employment centers, libraries, exhibitions and forums, etc. Over 2300 brochures and posters promoting EE/AE, and condominium development were distributed during these events. Over 320 references highlighting the events were published in media and social networks.

### **ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION**

During the reporting period, the Project finalized assistance to local NGOs related to the development and improvement of organizational policies and procedures.

The Project prepared and submitted to USAID a capacity building report summarizing the capacity building activities implemented (undertaken under SCBP), including those specifically related to the preparation of one local non-governmental organization for direct USAID award.

The Project regularly monitored NGO progress against parameters stated in the Capacity Building Plans and monitoring scorecards, which included reviews of documentation developed by the NGOs and the actions they implemented under the sub-awards.

#### **Performance of local partners under sub-awards**

During the reporting period, Project partner NGOs continued to implement projects under the grant agreements as follows.

#### **“Association of Energy Auditors in housing and communal services” (AEA), project titled “Support to Institutional Capacity of Ukrainian Cities in the Development and Implementation of Sustainable Energy Policies”**

During the reporting period AEA:

- Finalized work with the cities of Drohobych, Burshtyn and Kuznetsovsk: 1) to introduce energy management and energy monitoring; 2) to develop SEAPs.
- In cooperation with Association of Ukrainian Cities (AUC) provided consultations to the cities regarding potential sources of funding and application procedures;
- Updated the database on EE projects in Ukraine;
- In cooperation with AUC, updated and disseminated information on potential funding sources for EE projects to Ukrainian municipalities.

The project was completed in December 2015.

#### **“Association of Energy Engineers of Ukraine” (AEEU), project titled “Implementation of Independent Certification System for Energy Management Specialists”**

During the reporting period AEEU:

- Participated in the working groups of SAEE focusing on the implementation of energy management systems in Ukraine.
- Prepared a concept for expanding the certification program to MERP partner cities.

The project was completed in October 2015.

**“Energy Efficient Cities of Ukraine” (EECU), project titled “Practical Model of Local Government Capacity Building for Efficient Energy Management”**

During the reporting period EECU:

- Assisted Project partner cities in developing road maps for energy management implementation;
- Supporting the preparations for and/or conducting of Sustainable Energy Days in MERP partner cities;
- Prepared and presented draft the “Municipal Energy Green Book”;
- Supported the preparation of Initial Financial Appraisals (IFA) for projects included in SEAPs of MERP partner cities.
- Supported the preparation of and participated in the VII International Investment Business Forum (section on energy management).

**“Renewable Energy Agency” (REA), the project titled “Promotion of Natural Gas Substitution with Biomass in Heat Energy Production”**

During the reporting period, REA finalized pre-feasibility studies for Vinnytsia, Kherson and Dnipropetrovsk to support the substitution of natural gas with biomass for several boiler houses.

The project was completed in December 2015.

**ACTIVITY 4: ENHANCE CAPACITY FOR THE GOU IN LOW EMISSION DEVELOPMENT STRATEGIES (EC LEDS)**

The Project continued to work closely with international donors and technical assistance projects dealing with climate LEDS related issues.

The Project continued implementing the Memorandum of Understanding (MOU) with MinEcology, including the Draft State Climate Policy Concept development and submission, MRV trainings for the cement sector and institutional capacity building for the GOU, Paris Climate Agreement support and disseminating best international experience.

**TASK 4.1. STRENGTHENING INSTITUTIONAL CAPACITY IN PLANNING LEDS-REDS**

During the reporting period, the Project supported Ukrainian INDC dissemination and a broad stakeholders’ consultations process.

The Project developed and submitted the Draft State Climate Policy Concept to MinEcology. The Project also supported three State Working Group on Climate Change meetings. The Inter-agency Commission on UNFCCC Implementation accepted the Draft State Climate Policy Concept, as developed by MERP, on November 10, 2015. The Cabinet of Ministers of Ukraine conducted official open public consultations on this Draft State Climate Policy Concept during the November 18 - December 4, 2015 period. There were no comments received during these consultations. MERP will further support inter-ministerial consultation on this draft Concept.

During the reporting period, the Project continued cooperating with MinEcology on the LEDS process based on best international practices and in accordance with relevant Paris Climate Agreement provisions. MERP established the LEDS national expert level group to support MinEcology in planning of the national LEDS process and scope.

MERP continued providing MRV support to MinEcology. The Project participated regularly in meetings of the State Task Force on ETS Establishment along with other donors, such as GIZ and World Bank, which was established by MinEcology in October 2015. MRV is one of the first steps in establishing an ETS system. The Project developed and presented a Draft MRV Glossary. MinEcology published this Glossary on its official website for public comments. The Project also developed a sectoral MRV training strategy during the reporting period and conducted two stages of MRV training for the cement sector in November and December 2015. These trainings were co-organized with the Ukrainian Association of the Cement Industry, UkrCement. All cement factories portioning in Ukraine participated in the MRV training and learned about basic elements of the MRV system, and international experience of implementing MRV as a part of Emission Trading Schemes. The Project developed the Draft Clinker Production and Draft Stationary Fuel Combustion Methodologies and presented it to the participants of the trainings. Attendees from the cement factories populated the Project-developed Draft Template Monitoring Plan for the Cement Sector. The Project developed a package of materials called “Basic MRV Documents for Cement Sector”. The Head of the Climate Policy Department of MinEcology, Vladyslav Vezhnin, opened both trainings and shared information on ETS and MRV latest policy development activities. During the December training, he invited cement sector representatives to participate in the State Task Force on ETS, established under MinEcology, and to contribute to the development of an efficient MRV system in Ukraine.

The Project continued updating the TIMES-Ukraine model to incorporate various low emission scenarios, including the recently adopted National Energy Efficiency Action Plan and ETS implementation scenarios.

The Project supported the National GHG Inventory Report submission of 2015 and provided high-level expert support in Energy and Transport Sectors.

From October until December 2015, the Project held working meetings with the Verkhovna Rada Environmental Committee to discuss the Draft State Climate Policy Concept and Draft Paris Climate Agreement. Moreover, On October 20, the Project co-organized the State Climate Policy Round Table together with the Verkhovna Rada Environmental, Energy and International Affairs Committees, chaired by Hanna Gopko, the Head of the International Affairs Committee. Hanna Vronska, Deputy Minister of Ecology, presented a Draft State Climate Policy Concept and main issues of the Draft Paris Climate Agreement. This Round Table was the first climate policy engagement of Members Verkhovna Rada and a good example of dialog between the executive and legislative powers dialog on climate issues.

During the reporting period, the Project also supported three meetings of the Inter-governmental Commission on UNFCCC Implementation. In November, members of the Inter-governmental Committee on UNFCCC Implementation accepted the Draft State Climate Policy Concept after Serhiy Kurykin, acting Minister of Ecology and Natural Resources, presented this document developed by the Project. Members of the Commission discussed the Paris Climate Conference National Task Order during every meeting too.

The Project supported State Working Group meetings on UNFCCC negotiation of MinEcology. Most of the meetings aimed to develop national positions on core elements of new Draft Paris Agreement, such as differentiation, institutional arrangements, and the role of the markets and Economies in Transition status in this agreement. The Project contributed to Ukrainian National Climate Conference Position Paper and supported the LEDS concept paper development.

#### **TASK 4.2: IMPLEMENTING LEDS-REDS THROUGH SUPPORT IN DEVELOPING AND INTRODUCING CLEAN ENERGY TECHNOLOGIES AND ENERGY SERVICES**

In December 2015, the Project published Technology Needs Assessment Report for the Municipal Sector. This Report is a major step in supporting CE/EE projects and selecting the

best LEDS technology applicable in Ukraine. The comprehensive document is the first TNA report in Ukraine.

During the reporting period, the Project supported the State Energy Efficiency Agency on conducting analysis of the implementation of the measures for realizing CE/EE projects by GOU, as per provisions of the Directive 2009/28/EC, especially GHG emissions calculation methodology for biofuels and bio liquids. The Project also provided technical assistance on implementing the provisions of the Directive 2009/28/EC, Annex V.

#### **TASK 4.3: DEVELOPING A UNIFORM DATABASE ON LEDS-REDS AND EXCHNGING EXPERIENCES AND BEST PRACTICES WITH OTHER COUNTRIES PARTICIPATING IN EC-LEDS**

The Project continued working on populating the UA-LEDS database in Ukrainian and conducted a test-run during the reporting period. The UA-LEDS database is operational now and expert proofreading took place during the reporting period. This Ukrainian-language database platform is developed on international LEDS wiki-based OpenIE. The interactive database describes the LEDS process and LEDS technologies and tools. This will be the first Ukrainian-language LEDS resource available to state officials, academia and expert community.

### **CROSS-CUTTING ACTIVITIES**

#### **Donor coordination**

MERP closely coordinated with the World Bank social protection team regarding its work on the reform of the social protection system. In particular, this included regular informational exchange and participation in working groups (Ministry of Social Policy). On October 29, the Project had a meeting with WB expert Dr. Nithin Umapathi to discuss several topics:

- Implementation of the new housing subsidy program
- The social and economic effect of the changes in the social protection system
- Effectiveness of the new housing subsidy program (simplified subsidy allocation procedures; exposing abuse; indirect estimation of income for subsidy recipients; IT for collecting information on subsidy recipients)

During the meeting, the Project also briefed Dr. Umapathi about its assistance to the Ministry of Social Policy to increase the effectiveness and to simplify the delivery of housing subsidies.

At the public event organized by the Delegation of the European Commission jointly with the Verkhovna Rada, the Project participated in the discussion on poverty, support for vulnerable segments of the population, encouraging the populace to consume energy efficiently, etc. The event was attended by Vice Prime Minister Zubko, First Deputy of the VR Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety Oleksandr Dombrovsky, Head of the EU Delegation to Ukraine, Ambassador Jan Tombinski, and others.

In November 2015, the Project held a coordination meeting with EU Delegation and EU Support Group for Ukraine representatives. The parties agreed to enhance the coordination of their efforts and jointly work on developing the bill “On Commercial metering of communal services”.

On a regular basis, MERP experts participated in meetings of the State Task Force on the Establishment of ETS in Ukraine. This activity was conducted in close coordination with other donors, such as GIZ and World Bank.

In December 2015, MinRegion organized a donor coordination meeting to enhance the coordination of efforts related to the development of key legislative and regulatory acts in EE/RE area among USAID, EU Delegation, EBRD, GIZ, International Finance Corporation (IFC),

SIDA. As a result of the meeting, donor organizations and projects received updated information on the Ministry's priorities for the next calendar year and areas of cooperation.

In December 2015, EBRD hosted a coordination meeting for technical assistance projects related to Energy efficiency. The EU Delegation, EBRD, GIZ, International Finance Corporation (IFC), SIDA, and MERP all presented their current and planned activities and discussed how to coordinate TA in the EE area.

### **Anti-corruption**

During the reporting period the Project engaged civil society and the public sector in the fight against corruption in the energy sector, supported and coordinated a network of organizations capable of identifying corruption in the energy sector and demanding transparency, including civil society groups, anti-corruption “watchdog” organizations, and investigative journalists. The specific activities included:

- Regular communications and exchange of information with leading anti-corruption and journalist organizations, including the Anti-corruption Center, Transparency International, DiXi Group, the Center for Energy Research, Nashi Groshi (Our money), Slidstvo.Info, local anti-corruption and journalist groups.
- Preparation of several anti-corruption surveys focusing on electricity consumption by water supply utilities and the consumption of energy resources by heating companies.
- Posting news collected by the main companies operating in the energy sector, about tariffs and public procurement on the Facebook page <[www.zhytlo.in.ua](http://www.zhytlo.in.ua)> and web-portal of ZHYTLO.
- Development and support of the dedicated Facebook page “ANTILAPA.” The page collects information on corruption cases in the energy, housing and communal services sector.
- Participation in several anti-corruption events in the energy sector. During the events, partner organizations presented the results of anti-corruption monitoring and journalist investigations.
- Conducting trainings for local anti-corruption and journalist groups. The first training took place on November 26-28, 2015. The second and third trainings will be held in March and May 2016.
- Conducting an advocacy campaign and disseminated information on key legislative acts that will increase transparency of tariff setting and prevent corruption in the housing and communal services sector. The acts are the bill “On the National Energy and Utilities Regulation Commission” and the bill “On the specifics of access to information in the electric energy supply, natural gas supply, district heating, and centralized hot water supply, potable water supply, and wastewater sectors.”

### **Gender and Inclusive Development**

As per contract requirement, MERP ensures that men and women are equally supported through Project activities and that gender awareness and gender dynamics are taken into consideration. Gender issues are crosscutting for all of the Municipal Energy Reform Project's activities. Strengthening women's roles in the design, implementation, management, and use of sustainable energy solutions is critical for reaching development goals. During the reporting period women were actively involved in Project activities both on the national and local levels: 1088 persons took part in MERP events, 624 women (57%) and 464 men (43%).

MERP works with a wide range of people, assuring inclusive development for all groups of the population. The Project provides opportunities for everyone to take part in seminars, workshops, round tables, etc., regardless of age, sex, ethnic origin, health status, family structure, sexual

orientation, education, employment, income, housing, food security, safety, or any other dimensions of human diversity.

## C. DELIVERABLES

Ninth Quarter deliverables and reports of the Municipal Energy Reform Project are as follows:

- Municipal Energy Reform Project (MERP) Eighth Quarterly Report, July 1, 2015 – September 30, 2015;
- Municipal Energy Reform Project (MERP) Work Plan for Project Year 3 (update as of October 2015);
- Standard MTO Power Point Presentation;
- Basic talking points on main assistance areas (part of MTO Power Point Presentation);
- List of MTO accomplishments by tasks and activities;
- MTO Fact Sheet.

The list of the most important documents and materials produced under MERP during Q9 of the project is presented below:

#	Activity	Month	Title	Language
1	Activity 1	October	Report on analysis of international experience in implementation of incentive-based regulation in EU countries in water and wastewater and district heating sectors	English
2	Activity 1	October	Report on Comments and Recommendations on the Concept for Gradual Introduction of Incentive Regulation for the District Heating, Drinking Water Supply and Sewage Utilities, Drafted by MERP Local Experts	English
3	Activity 1	October	Review of International Experience on Inclusion into Tariff Setting of Quality of Services Indicators and Other Special Issues in Water & Wastewater and District Heating Sectors	English
4	Activity 1	October	Overview of Benchmarking Systems in EU Countries In Water & Wastewater and District Heating Sectors	English
5	Activity 1	October	Review on Methods of Economic Analysis and Utility Efficiency Calculation in Water & Wastewater Sector in EU Countries	English
6	Activity 1	October	Overview of Use of Benchmarking Results in Regulatory Process EU Countries in Water & Wastewater and District Heating Sectors	English
7	Activity 1	November	National Energy Efficiency Plan till 2020	Ukrainian
8	Activity 1	November	Cabinet of Ministers Order on National Energy Efficiency Plan till 2020	Ukrainian
9	Activity 1	November	Action Plan - Annex to the National Energy Efficiency Plan till 2020	Ukrainian

#	Activity	Month	Title	Language
10	Activity 1	December	Your House Video, Film 1-10 (MP4)	Ukrainian
11	Activity 1	December	Report on Benchmarking Seminar held by MDI for Regulator on December 15, 2015	Ukrainian
12	Activity 1	December	Sample Energy Service Agreement	Ukrainian
13	Activity 1	December	Draft State Construction Standards "Design of Roofs for Buildings and Facilities, V.1	Ukrainian
14	Activity 1	December	Designed Billboards	Ukrainian
15	Activity 2	October	Monitoring memorandum on the use of Development Credit Authority Loan Guarantee by Bank of Lviv for the period July – September 2015	English
16	Activity 2	October	MDI Project's Survey Questionnaire	Ukrainian
17	Activity 2	October	MDI Project's Survey Questionnaire for Kramatorsk	Ukrainian
18	Activity 2	October	Report on extended working group meeting together with executives, deputies, civic activists, mass media, OSBB heads) to present the updated Sustainable Energy Development Action Plan (Lutsk, October 1).	Ukrainian
19	Activity 2	October	Inventory of investment projects of the city of Lutsk	Ukrainian
20	Activity 2	October	Press Announcement about the extended working group meeting together with executives, deputies, civic activists, mass media, OSBB heads) to present the updated Sustainable Energy Development Action Plan (Lutsk, October 1).	Ukrainian
21	Activity 2	October	Inventory of investment projects of the city of Vinnytsia	Ukrainian
22	Activity 2	October	Vinnytsia SEAP: Abridged version	Ukrainian
23	Activity 2	October	Dnipropetrovsk SEAP: Abridged version	Ukrainian
24	Activity 2	October	Lutsk SEAP: Abridged version	Ukrainian
25	Activity 2	November	Methodology for monitoring energy efficiency of buildings	Ukrainian
26	Activity 2	November	Sustainable Energy Action Plan of the city of Rivne	Ukrainian
27	Activity 2	November	Second Version of the Prior Feasibility Study on "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Khmelnytskyi" Project	Ukrainian
28	Activity 2	November	Annotated Content Description: Earmarked	Ukrainian

#	Activity	Month	Title	Language
			Program for Solid Waste Management in Ivano-Frankivsk in 2015-2020 (Arnica Center)	
29	Activity 2	November	Report on Assistance for Ternopil City Heating Communal Energy Enterprise to develop tender procedures under the EBRD project to modernize the system of centralized heating in the city of Ternopil and to implement energy management system in November 2015 (Optimenergo)	Ukrainian
30	Activity 2	November	Power Point Presentation on Introducing the System of Energy Management in the Central Heating Area in line with ISO-50001	Ukrainian
31	Activity 2	November	Draft Provisions on Material Motivation of Enterprise Personnel to Save Energy	Ukrainian
32	Activity 2	November	Energy Manager of Buildings Job Description (Implementation of the Energy Management System in the city of Kyiv)	Ukrainian
33	Activity 2	November	Draft Concept of Implementing Energy Management System in the Budgetary Area in the city of Kyiv	Ukrainian
34	Activity 2	November	Draft provisions on Kyiv City Rada communal enterprise "Project Management Group"	Ukrainian
35	Activity 2	November	Draft provisions on creation and operation of the Projects Audit and Management Center under the communal enterprise "Project Management Group"	Ukrainian
36	Activity 2	November	Draft Job Description: Head of Department for Streamlining Energy Consumption of Buildings; communal enterprise "Project Management Group" (Energy Manager of the 3rd Level)	Ukrainian
37	Activity 2	December	Report on justification of selection of 40 budgetary buildings of Zaporizhzhia for energy audits under USAID project "Support of Energy Efficiency of Budgetary Buildings of Zaporizhzhia" and the list of buildings	Ukrainian
38	Activity 2	December	Draft Sustainable Energy Action Plan of Sumy for 2015-2025 (sent to Sumy)	Ukrainian
39	Activity 2	December	Report on seminar for Resource Centers supporting OSBBs in clean energy area held in Kyiv on December 16-17, 2015 by MDI	Ukrainian
40	Activity 2	December	Ternopil SEAP, version 9	Ukrainian
41	Activity 2	December	Methodology of monitoring energy efficient buildings	Ukrainian

#	Activity	Month	Title	Language
42	Activity 2	December	NEFCO Project Proposal from Kryvyi Rih	Ukrainian
43	Activity 2	December	Cover letter by Kryvyi Rih city Mayor	Ukrainian
44	Activity 2	December	Technical specifications of lots for tender in Ternopil	Ukrainian
45	Activity 2	December	Presentations at seminars on energy management held by Arnica in Rivne, Lutsk, Khmelnytskyi	Ukrainian
46	Activity 3	October	Progress Report of Association of Energy Auditors of the Housing and Communal Sphere for 01.10.2015 - 31.10.2015	Ukrainian
47	Activity 3	November	Agreement of Introducing Automated System of Energy Consumption Control in School #1 of the city of Burshtyn	Ukrainian
48	Activity 3	November	Agreement of Introducing Automated System of Energy Consumption Control in Kindergarten #6 of the city of Burshtyn	Ukrainian
49	Activity 3	November	Decision of 15.10.2015 of Burshtyn City Rada on changes to the program of social, economic and cultural development of the city of Burshtyn and village of Vyhivka in 2015	Ukrainian
50	Activity 3	November	Decision of 15.10.2015 of Burshtyn City Rada on Adoption of Sustainable Energy Action Plan of the city of Burshtyn for 2016-2020	Ukrainian
51	Activity 3	November	Agreement on Partnership and Cooperation between the city of Burshtyn and Association of Energy Auditors in the Housing and Communal Sphere (under the "Capacity Building of Ukrainian Cities to Develop and Implement SEAPs" project)	Ukrainian
52	Activity 3	November	Pre-Feasibility Study on Construction of Biomass Boiler in the city of Dnipropetrovsk	Ukrainian
53	Activity 3	November	Pre-Feasibility Study on Construction of Biomass Boiler in the village Naddnyprianske, Kherson Oblast	Ukrainian
54	Activity 3	December	Pre-Feasibility Study on Construction of Biomass Boiler in Vinnytsia	Ukrainian
55	Activity 4	October	Letter of the Ministry of Ecology on Ensuring Fulfillment of Framework UN Convention on Climate Change	Ukrainian
56	Activity 4	October	Draft Directives of the Ukrainian delegation for participation in 21st Conference of Parties of the UN Framework CCC on the change of climate (November 30, Paris, France)	Ukrainian

#	Activity	Month	Title	Language
57	Activity 4	October	Draft Climate Change Strategy reviewed by Interdepartmental Commission	Ukrainian
58	Activity 4	November	Presentation "Main Tasks for Implementation of MRV and ETC systems in line with Ukraine-EU Association Agreement" (for training held on November 5, 2015 for representatives of the cement industry)	Ukrainian
59	Activity 4	November	Presentation Review of the EU emissions trading system (EU ETC) and other world trading systems (for training held on November 5, 2015 for representatives of the cement industry)	Ukrainian
60	Activity 4	November	Minutes of the meeting of interdepartmental commission for implementation of the UN Framework Convention on Climate Change, as of November 2, 2015, Kyiv	Ukrainian
61	Activity 4	November	Presentation on MRV for Installations (for training held on November 5, 2015 for representatives of the cement industry)	Ukrainian
62	Activity 4	November	Presentation on GHG Emission Monitoring Plan Template (for training held on November 5, 2015 for representatives of the cement industry)	Ukrainian
63	Activity 4	November	Presentation on Verification Rules (for training held on November 5, 2015 for representatives of the cement industry)	Ukrainian
64	Activity 4	November	Proposal on Earmarked Targets for Low Emission Development in Energy and their Role and Place in Intended Nationally-Determined Contribution of Ukraine (Prepared by the Institute for Economics and Forecasting of the Academy of Sciences of Ukraine)	Ukrainian
65	Activity 4	November	Draft Order of the Cabinet of Ministers of Ukraine on "Approval of Concept Fundamentals for Implementation of the Climate Change Policy and the briefing note	Ukrainian
66	Activity 4	November	Draft comments and recommendations on the MRV Concept Paper developed by the Ministry of Ecology	Ukrainian
67	Activity 4	November	Report on consulting services provided in the framework of the Project for the State Agency for Energy Saving and Energy Efficiency on the provisions of the Directive 2009/28/EC, especially GHG emissions calculation methodology for biofuels and bio liquids,	Ukrainian

#	Activity	Month	Title	Language
			November 2015	
68	Activity 4	November	Draft monitoring plan in the area of cement production, Version 2.1	Ukrainian
69	Activity 4	November	Draft Methodology for Calculation of CO2 for Cement Installations	Ukrainian
70	Activity 4	December	Evaluation Report and Further Recommendations on Preparation of Study Course (internal document, not for distribution)	Ukrainian
71	Activity 4	December	Draft Methodology for Calculation of CO2 for Stationary Fuel Combustion	Ukrainian
72	Activity 4	December	Presentation on "Uncertainty Assessment" at the MRV seminar for cement sector. Methodological Recommendations for installations on how to develop monitoring plans	Ukrainian
73	Activity 4	December	Monitoring Plan Template developed for Cement Sector	Ukrainian
74	Activity 4	December	Presentation of Data Flow Activities at the MRV seminar for cement sector	Ukrainian
75	Activity 4	December	Model of GHG calculation for cement sector - example	Ukrainian
76	Activity 4	December	Presentation on GHG Emission Monitoring, Reporting and Verification System Requirements	Ukrainian
77	Activity 4	December	Presentation "Basis for using coefficients to calculate CO2 emissions from fuel combustion"	Ukrainian
78	Activity 4	December	Bureau Veritas Presentation "Monitoring and Verification of GHG Emissions"	Ukrainian
79	Activity 4	December	Presentation on Risk Assessment at the seminar for cement sector in December 2015	Ukrainian
80	Activity 4	December	Technology Needs Assessment for Communal Enterprises prepared by Institute of Ecology and Energy Saving Problems	Ukrainian
81	Activity 4	December	Annual Emissions Monitoring Plan	English

## D. SCHEDULES AND MILESTONES

The list of milestones for Quarter 9 of the project and completion status are presented below:

### Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment

Task/Milestone	Deadline	Completion Status	Comments
<b>Task 1.1. Developing Enabling Legislative and Policy Environment</b>			
M 1.1.4. Law on National Regulatory Commission on Energy and Communal Services adopted by Rada.	Dec. 30, 2015	In progress	The draft law is prepared for the first reading.
M 1.1.5. Law on Transparency of Information on Energy and Communal Services Markets adopted by Rada.	Dec. 30, 2015	Completed	
<b>Task 1.2. Assistance to National Energy &amp; Communal Services Regulatory Commission (NECSRC)</b>			
<b>Sub-task 1.2.1. Needs Assessment for Assistance to the National Energy &amp; Communal Services Regulatory Commission (NECSRC)</b>			
M 1.2.1.1. Annual Work Plan developed and agreed with NECSRC.	Dec. 31, 2015	Completed	
M 1.2.1.2. Capacity Building Plan developed and agreed with NECSRC.	Dec. 31, 2015	Completed	
<b>Sub-task 1.2.4. Developing Utility Benchmarking</b>			
M 1.2.4.1. New regulatory reporting taught to utilities.	Dec. 31, 2015	In progress	The workshop on the new regulatory reporting was postponed to April 2016.
M 1.2.4.2. New regulatory benchmarking system developed.	Dec. 31, 2015	Completed	
<b>Task 1.4. Supporting Energy Efficiency Standards</b>			
M 1.4.2. Standard on Energy Audits in Buildings approved.	Nov. 30, 2015	In progress	The delay is caused by changes in the approval system.

### Activity 2: Promote Investment in Clean Energy Technologies and Applications

Task/Milestone	Deadline	Completion Status	Comments
<b>Task 2.2. Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects</b>			
M 2.2.1. Capacities of pilot cities regarding attraction of investment to clean energy projects strengthened.	Nov. 30, 2015	Completed	
M 2.2.2. SEAPs adopted in pilot cities.	Dec. 31, 2015	In Progress	The delay is caused by elections and management changes.

### Activity 3: Capacity Building and Dissemination

Task/Milestone	Deadline	Completion Status	Comments
<b>Cross cutting (Anti-corruption)</b>			
M 3.1.2. Local anti-corruption coalitions established.	Oct. 31, 2015	Completed	

## E. PROBLEMS

The list of key problems (challenges) affecting MERP implementation are presented below:

- A number of significant political and social events that caused instability in GOU counterparts (management changes) and the restructuring of GOU agencies;
- Lack of finance and limited capacity at the local (municipal) level do not allow for effective (rapid) implementation of EE projects identified in SEAPs, and affect the implementation of energy management;
- The macroeconomic situation (interest rates, currency exchange) has a considerable effect on commercial and IFT's lending and investment;
- Lack of political will at the central governmental level to implement tariff setting methodologies and other regulatory acts (for example those that may potentially lead to tariff increases).

Despite the above factors, MERP continued making very good progress in accomplishing the SOW and corresponding Work Plan.

## F. PERFORMANCE INDICATORS

No reporting for the period.

## G. PLANS

### Activity 1 - Planned Activities in Quarter 10

#### Task 1.1. Developing Enabling Legislative and Policy Environment

- Assist GOU High Level Working Groups with implementation of GOU reform agenda on EE and RE.
- Assist GOU with implementation of National Action Plan on RE by developing sub-laws, incentive mechanisms, and methodologies (biomass sustainability criteria and technical specifications)
- Assist GOU in review, approval and implementation of National Action Plan on EE by developing sub-laws, incentive mechanisms, and methodologies.
- Provide regular assistance to Verkhovna Rada Committee on Housing and Communal Services in development of draft laws on HOAs and housing management needed to support end use energy efficiency.
- Assist in development of sub-laws and regulations on HOAs and housing management needed to support end use energy efficiency.
- Develop and assist Rada Committees on adoption of changes to Land Code concerning transfer of land plots to co-owners of multifamily buildings.
- In coordination with EBRD and IBSER, support MinRegion in adoption of ESCO sub-legislation.
- In coordination with EU and EBRD, support MinRegion in adoption of Draft Law on Energy Efficiency in Buildings by Rada.
- Assist Rada committees with adoption of Draft Law on Commercial Metering
- Assist Rada committees with adoption of amendments to housing and communal services legislation.
- Assist Rada Committee on improving and adopting Draft Law on National Regulatory Commission on Energy & Communal Services.
- Provide regular assistance to MinRegion expert groups to initiate and develop legal and regulatory documents on municipal EE.
- Provide regular assistance to Verkhovna Rada Committee on Housing & Communal Services in development of draft laws on housing & communal services, metering, and energy efficiency in buildings.
- Support e-based donor coordination platform on municipal EE and RE reforms.

#### Task 1.2. Assistance to National Energy & Communal Services Regulatory Commission (NECSRC)

##### Sub-task 1.2.2. Capacity Building

- Based on existing capacity building plan, conduct training seminars for NECSRC, including Regional Offices (licensees when determined as necessary) on areas of capacity building according to agreed curriculum.

- Conduct events for exchange of experience (internship abroad, training in international schools for regulators, initiation and implementation of bilateral partnerships with other regulators in international associations).

#### **Sub-task 1.2.3. Improving Heat Tariff Setting**

- In coordination with WB/SIDA and EBRD, assist NECSRC & MinRegion with improvement of investment methodology.
- Develop legal and regulatory acts on implementation of quality system for communal services.
- Develop tools to automate monitoring quality of communal services.
- Assist NECSRC to develop statistical reporting forms for collecting information on service quality and creation of information database.
- Assist NECSRC to develop mechanisms for service quality assurance in new tariff model.
- Develop recommendations on incorporation of special issues (such as reduction of losses, penalties for gas and electricity of licensees, foreign exchange risks, etc.) in tariff model.
- Support implementation of assets evaluation methodology for natural monopolies in DH and water/wastewater
- Assist NECSRC with gradual introduction of RAB incentive tariff regulation for heat and water utilities
- Assist NECSRC to improve current legislation on tariff regulation and investment
- Conduct workshop for NECSRC staff on automated system for assessment and forecasting of service affordability for population.

#### **Sub-task 1.2.4. Developing Utility Benchmarking**

- Develop methodological recommendations on accounting for licensed types of activities.
- Perform generalized comparative analysis of licensees based on proposed key performance indicators.
- Improve approaches to clustering for water and wastewater companies.
- Develop methodological recommendations for calculating key performance indicators in water and wastewater sector.

#### **Task 1.3. Supporting Improvement of Social Safety Net for Vulnerable Population**

- Enhance coordination on social protection of low-income consumers with WB team and GOU working groups on social protection.
- Assist GOU, (Ministry of Social Policy) with optimization and enforcement of new mechanisms of social assistance for consumers of housing and utility services through targeted “means tested” subsidies.
- Provide capacity building to Ministry of Social Policy and its regional offices on enforcement of new social protection mechanisms.
- Monitor efficiency of new system of subsidies based on data collection in partner cities and Regional Offices of Social Protection.
- Develop proposals on improvement of social housing norms and norms of consumption of housing and utility services.
- Develop concept for encouraging low-income families, housing subsidy recipients, to implement energy efficiency improvements.
- Assist GOU to reform system of privileges granted for payment of housing and communal services.

#### **Task 1.4. Supporting Energy Efficiency Standards**

- In coordination with EBRD and GIZ, assist GOU technical committees in reviewing and approving EE standards.
- Support approval of the Standard on Energy Audit of Buildings.
- Support development of new EE standards: DBN V.2.6-14 (roof design) and other as identified in discussions with stakeholders (SAEE and MinRegion).

#### **Task 1.5. Public Information and Awareness**

- Maintain regular coordination on PR activities with MinRegion PR WG, CabMin, donors, GOU Committee of Reforms, and USAID OTI.
- Cooperate with advertising agencies to develop design of outdoor and video PSAs, advertisements for social media and other information materials.
- Develop information materials (including video PSA) on EE/AE, the need to bring tariffs to an economically grounded level (understanding these steps is a guarantee of effective work of communal enterprises) and social protection measures for low-income consumers.
- Conduct targeted outreach materials to low-income residents and vulnerable groups in support of Ukraine's tariff regulation reform and social safety net.
- For the media, hold expert energy briefings, followed by training, on the range of story options including social issues, EE lifestyle, alternative energy resources, HOAs and tariff reform.
- Support contest for media for the best material on EE/AE, tariff reform, social safety net.
- Support media programming (on TV and radio) promoting the themes of CE/EE; explain changes related to tariff reform and the social safety net.
- Disseminate a range of information related to CE/EE, social safety net and tariff reform through TV and radio media round tables/expert opinions, call-in shows, analytical articles in electronic and printed media.
- Promote all topics through social media, MERP and partners' web sites and FB pages.
- Cooperate with local HOA Resource Centers, Communal Service Enterprises, Regional Social Protection Offices, AUC regional offices and Bibliomist Project on distribution of materials among Ukrainian municipal residents.
- Cooperate with manufacturers of EE materials and equipment, such as Henkel, Danfoss, Rehau and Vekka, to set up information and exhibition corners at HOA/CE Resource Centers and libraries. Cooperate with USAID Bibliomist project to serve as public education centers for effective EE technologies and measures.
- Hold joint training session with Bibliomist project to educate interested librarians on issues related to CE/EE to involve libraries into energy education reform.
- Widely support outreach campaign through the range of activities in the partner-cities, such as Energy Efficiency Days, USAID Field Days, Sustainable Energy Weeks or public hearings.
- Develop range of materials and educate citizens on the benefits of ownership (Condominium development) as a primary motivating force for saving energy in HOAs through support of pilot Community Based Marketing Campaign in Lviv. (Done)
- Conduct contest for most effective EE measures in residential buildings among residents of multi-apartment buildings, including HOAs, in MERP partner-cities.
- Hold joint training session to educate journalists on issues related to CE/EE to involve them in energy education reform and to stimulate them to work with public on these questions.

- Provide training for local social protection offices on new social protection mechanisms (in coordination with Task 1.3).

## **Activity 2 - Planned Activities in Quarter 10**

### **Task 2.2. Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects**

- Support finalization and adoption of SEAPs in partner cities.
- Prepare catalogs of CE investment projects to reduce CO2 emissions.
- Based on catalogs prepared for each pilot city, create draft unified catalog with most attractive CE projects for IFIs and private investors under PPP arrangements.
- On as needed basis, provide assistance and capacity building to project implementation units (PIUs) in second group of cities on international procurement.
- Develop concept paper on information portal (online newsletter) to inform key stakeholders (municipalities, utility companies, IFIs, private investors, ministries) on new opportunities for investment.
- Prepare investment proposals (pre-feasibility studies, business plans) on EE and CE projects for partner cities.
- Conduct energy audits for key municipal service areas, key utility companies and CO2 producers to identify most promising long term investment proposals.
- Provide assistance (trainings and field support) to the municipalities in monitoring of SEAPs implementation in accordance to CoM methodology.
- Conduct workshop on expanding scope of functions of Clean Energy Advisory Centers (CE ACs) to attract investments for clean energy projects in residential buildings.
- Assist Clean Energy Advisory Centers with legal, technical, economic, ecological, and other key issues regarding attraction of investments to clean energy projects in residential buildings.
- Finalize concept paper with advisory support from CE ACs for implementing residential CE projects, which are co-financed by materials and equipment producers, local authorities, and building residents.
- Start preparing digest of best practices of SEAP development, approval and implementation.

### **Task 2.3. Introduction of Energy Management Systems**

- Train partner cities and their municipal utilities on energy management cycle
- Assist partner cities in preparing energy management documentation, procedures and tools according to ISO 50001 requirements.
- Assist cities and utility management in establishing energy management function with description of roles and responsibilities of energy managers.

### **Task 2.4. Development Credit Authority (DCA) Loan Guarantee**

- Based on the training schedules, conduct seminars to support utilization of USAID DCA for energy efficiency, including those on assessing accuracy of reports on energy audit of public and multi-family residential buildings.
- Conduct joint training seminars and round tables with Bank Lviv and Procredit Bank for HOAs and SMEs on end use energy efficiency to build demand for commercial lending from the Banks.
- Conduct monitoring of utilization rate of USAID DCA with Bank Lviv and Procredit Bank, and provide recommendations on improvements.

- Assist Bank Lviv to analyze business plans from small and medium sized enterprises, under EE loan financing program “Energy Saving.”
- Assist Bank Lviv, and if requested Procredit Bank, to become part of national and regional programs of cheaper loans for HOAs.
- Conduct joint public events with Bank Lviv and Procredit Bank to promote energy efficiency improvements.
- Disseminate best practices for EE projects funded by Bank Lviv and Procredit Bank.

#### **Task 2.5. Support Mechanisms that Mobilize Private Sector Investment**

- Conduct pre-feasibility studies needed for energy performance contract (EPC) financing by IFIs and private investors in partner cities.
- Support implementation of EPCs.
- Assist with investment attraction and implementation of municipal EPCs.
- Assist with preparation of legal, financial and environmental documentation needed for EPC.
- Support preparation of CE PPP projects by conducting energy audits, pre-feasibility studies and developing concepts of PPP arrangements for CE projects for selected partner cities, and discuss them with key stakeholders.
- Initiate development of document set required for CE PPP projects.
- Assist selected cities to initiate and implement PPP for CE projects.
- Organize public discussions on proposed PPPs.

#### **Task 2.6. Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials**

- Establish regular coordination on PR activities with MinRegion PR WG, donors, GOU Committee of Reforms, CabMin, and USAID OTI.
- Hold periodic Working Group Meetings on Communication Issues to adjust information strategy and assure its successful implementation in the cities.
- Assure multifaceted public awareness campaign on EE/alternative energy through development as well as distribution/promotion of targeted information materials in MERP partner cities.
- Promote the themes of EE/Alternative Energy; explain changes related to tariff reform through TV and radio media round tables/expert opinions, call in shows; place analytical articles in electronic and printed media.
- Develop condensed versions of pilot city SEAPs to be discussed with the population before and during public hearings.
- Conduct public hearings on SEAPs to involve the public in discussions about priority areas of EE in MERP pilot cities.
- Support web sites of beneficiaries, stakeholders and partners with information materials. Disseminate best practices.
- Conduct EE/AE lessons and events for school children in MERP partner cities.
- Hold contest for children for best social advertising idea in MERP partner cities.
- Conduct contest for school children on reduction of energy consumption in MERP partner cities.

- Develop information materials (brochures/posters etc.) for MERP partner cities to show potential of various AE sources in their regions. Organize information corners.
- Conduct set of workshops called "AE/CE potential in your region" for staff of city councils, business and media.
- Conduct energy saving webinars.
- Participate in targeted public outreach events in the cities, include Energy Efficiency Days, contests on EE best practices, other public events and distribute relevant information materials including placements of PSAs.

### **Activity 3 - Planned Activities in Quarter 10**

#### **Task 3.1. Preparing local non-governmental organization for direct award from USAID**

- Oversee and support implementation of grant projects by local partner organizations.

#### **Cross cutting (Anti-corruption)**

- Conduct coordination meetings with key partners, including civil society groups, anti-corruption 'watchdog' organizations and investigative journalists.
- Create local (city level) anti-corruption coalitions involving civil society.
- Create networks and social media groups.
- Conduct training on anti-corruption for local civil society representatives and journalists.
- Support legislative acts (national and local) designed to fight corruption in municipal energy sector (in coordination with Task 1.1 activities).
- Cooperate with NGOs, anti-corruption 'watchdog' organizations and investigative journalists or agencies in conducting advocacy campaigns to increase transparency in municipal energy and communal services sector.
- Support collection, analysis, publication and distribution of information on anti-corruption.
- Disclose information to public (anti-corruption monitoring).
- Conduct local press conferences, presentations and discussions to advocate transparency and disclosure in energy sector.

### **Activity 4 - Planned Activities in Quarter 10**

- Provide technical and expert assistance support in transport sector to National GHG Inventory Center of MinEcology during preparation of NIR 1990-2014.
- Engage budgetary entity "National GHG Center" of MinEcology in preparing National GHG Inventory Report (NIR) 1990-2014.
- Continue support to development of Draft State Climate Policy Concept.
- Develop Second Draft of State Low Emission Development Policy.
- Support Inter-ministerial Commission on UNFCCC implementation
- Initiate and present LEDS Action Planning process for MinEcology and MinRegion.
- Conduct high level Round Table on LEDS Action Planning process.
- Establish Stakeholders Group on LEDS Action Plan under MinEcology and MinRegion authority.

- Develop MRV training program for partner-cities boiler houses, which will be covered by National Emission Trading Scheme.
- Conduct series of MRV trainings in two selected partner-cities.
- Provide MRV expert support on developing monitoring plans for cement sector companies, participants of MRV training for cement sector.
- Provide expert support to MinEcology and State Working Group on MRV legislation and sub-legislation.
- Conduct LEDS donor coordination meetings. Coordinate with World Bank and GIZ work on MRV legislation and sub-legislative activities.
- Conduct presentations of Municipal Sector TNA Report developed and published by MERP for MinRegion and for municipal authorities.
- Disseminate Municipal Sector TNA Results.
- Review and develop recommendations for updates of uniform LEDS database.
- Operationalize and provide on-going technical and substantial support for LEDS database.
- Conduct study tour for state officials, policy makers, LEDS-trained expert and academia representatives on LEDS to learn best international practices.

The list of milestones for Quarter 10 of the project is presented below.

#### **Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment**

<b>Task/Milestone</b>	<b>Deadline</b>	<b>Completion Status</b>	<b>Comments</b>
<b>Task 1.1. Developing Enabling Legislative and Policy Environment</b>			
M 1.1.4. Law on National Regulatory Commission on Energy and Communal Services adopted by Rada.	February 29, 2016		Amended completion date (see section D. Schedules and Milestones)
<b>Task 1.2. Assistance to National Energy &amp; Communal Services Regulatory Commission (NECSRC)</b>			
<b>Sub-task 1.2.4. Developing Utility Benchmarking</b>			
M 1.2.4.1. New regulatory reporting taught to utilities.	April 30, 2016		Amended completion date (see section D. Schedules and Milestones)
<b>Sub-task 1.2.3. Improving Heat Tariff Setting</b>			
M 1.2.3.1. Investment methodology	Feb. 28, 2016		

Task/Milestone	Deadline	Completion Status	Comments
approved by relevant governmental bodies.			
M 1.2.3.2. Quality of Services assurance mechanisms enacted by NECSRC.	Feb. 29, 2016		
<b>Task 1.4. Supporting Energy Efficiency Standards</b>			
M 1.4.2. Standard on Energy Audits in Buildings approved.	March 31, 2016		Amended completion date (see section D. Schedules and Milestones)

#### Activity 2: Promote Investment in Clean Energy Technologies and Applications

Task/Milestone	Deadline	Completion Status	Comments
<b>Task 2.2. Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects</b>			
M 2.2.2. SEAPs adopted in pilot cities.	April 30, 2016		Amended completion date (see section D. Schedules and Milestones)
M 2.2.3. Private investors and IFIs receive up-to-date information on promising long-term investment projects in pilot municipalities.	Mar. 31, 2016		
<b>Task 2.3. Introduction of Energy Management Systems</b>			
M 2.3.1. Local capacity built on Municipal Energy Management.	Jan. 31, 2016		

#### Activity 3: Capacity Building and Dissemination

Task/Milestone	Deadline	Completion Status	Comments
<b>Task 3.1. Preparing a local non-governmental organization for a direct award from USAID</b>			
M 3.1.1. Local NGOs capacity to	Feb. 28, 2016		

manage grant programs improved.			
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**Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC-LEDS)**

Task/Milestone	Deadline	Completion Status	Comments
<b>Task 4.1. Strengthening institutional capacity in planning LEDS-REDS</b>			
M 4.1.2. Draft Elements of State Climate LEDS Policy.	Feb. 29, 2016		
<b>Task 4.2. Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services</b>			
M.4.2.1. Road Map on Implementation of Municipal CE/EE Projects completed.	Feb. 29, 2016		